

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

**ARSN 155 770 095**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2019**

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

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2019**

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**DIRECTORS' REPORT**

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The Directors of Plantation Capital Ltd, the Responsible Entity of the Passive Income (USA Commercial Property) Fund (the Fund), present their report together with the financial statements of the Fund for the year ended 31 December 2019. This financial report has been prepared in accordance with Australian Accounting Standards.

**Principal Activities**

The Fund is an unlisted managed investment scheme that seeks to generate passive income and growth returns via its controlling interest in Ozinus Realty, LLC, a USA-based real estate investment trust (REIT) that owns a diversified portfolio of commercial properties located in the United States of America (USA).

The investment activities of the Fund continued to meet the investment policy as outlined in the Product Disclosure Statement dated 4 July 2018 (PDS).

The Fund did not have any employees during the period, however Sunizo, LLC, a wholly-owned USA-based subsidiary of the REIT that manages the Fund's properties, had twelve employees.

**Directors**

The Directors of the Responsible Entity during the year, or since the end of the financial year, are:

*Stephen (Steve) McKnight – Director & Secretary*

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

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

Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes 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.

*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 27 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.

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

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**Directors (cont'd)**

More 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)

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

Much of 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**

Pleasingly, with less properties in the portfolio than the prior year, and without the benefit of any significant foreign exchange gain, the Fund's operating profit was on par with 2018.

Rental income was higher than last year, however the gain on the movement of the fair value of the property portfolio was lower. Less growth in the property portfolio's value was expected and reflects the stabilized nature of the REIT's assets. Realised gains from the sale of assets was higher than in 2018 as a result of sales prices of disposed assets broadly exceeding their last appraised values.

*Profit*

The Fund's consolidated net operating profit after tax but before distributions attributable to Unitholders for the year ended 31 December 2019 was \$6,910,107, or 182% higher than the previous year (2018: \$3,787,215). The substantial increase is a reflection of the way taxation is calculated and reported, as the pre-tax profit from operations was similar to the prior year (2019: \$8,176,519; 2018: \$8,208,415).

The Fund's performance is derived from three components: net rental income, capital growth, and movements in the AUD:USD foreign currency exchange rate.

Net rental income improved as a result of generally higher rents across the board on new and renewed leases, and because we were able to recoup more outgoings from tenants as we converted expiring gross and modified gross leases to NNN leases.

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

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**Review of Operations & Financial Results (cont'd)**

*Profit (cont'd)*

Capital growth on the portfolio was subdued, but expectedly so given the stabilized nature of most of the properties. That said, realised gains from property sales made an increased contribution to profit as sales prices of properties sold were, in most cases, considerably higher than their last independently appraised values. More information about properties that were sold is included in this report.

For much of the year it seemed that there would be a foreign exchange profit arising from the AUD losing value against the USD. A falling AUD against the USD is of benefit to the Fund because the REIT's assets are in USD, so a stronger USD will convert to more AUD. However, the AUD rallied in December 2019 and cancelled out most of that gain. Since year end though, the AUD has fallen substantially against the USD. More commentary on this is included in this report.

The parent entity recorded a net operating profit of \$5,786,126 (2018: \$2,314,764). This parent entity result was before consolidation of US operations.

*Distributions*

The Fund paid the following distributions (gross of US withholding tax):

	<b>Twelve Months Ended 31 December 2019</b>		<b>Twelve Months Ended 31 December 2018</b>	
	<b>\$</b>	<b>Cents Per Unit</b>	<b>\$</b>	<b>Cents Per Unit</b>
Interim Distribution Paid	4,176,426	5.0	3,895,421	5.0
Final Distribution Payable	4,033,153	5.0	4,097,365	5.0
Total Distribution	8,209,579	10.0	7,992,786	10.0

During the year distributions totalling \$5,093,228 (2018: \$4,963,805) were reinvested by Unitholders.

*Property Sales*

The Fund, via its controlled entities, sold three properties during the year.

1013SE12 (1013-1019 SE 12th Avenue, Cape Coral, FL) was sold on 2 October 2019 for US\$1,073,928. The property was purchased on 24 September 2014 for US\$637,000. Its last independently appraised value was US\$960,000. The sale price was US\$323,000 or 11.87% above that independently appraised price.

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

**Review of Operations & Financial Results (cont'd)**

*Property Sales (cont'd)*

Riverview (1671 Riverview Drive, Lewisville, TX) was sold on 14 November 2019 for US\$5,320,000. The property was purchased on 26 December 2013 for US\$3,600,000. Its last independently appraised value was US\$4,410,000. The sale price was US\$810,000 or 20.63% above that independently appraised price.

Rams Plaza (2148-2160 Fowler Street & 3125 Central Avenue, Fort Myers, FL) was sold on 4 December 2019 for US\$1,565,000. The property was purchased in two lots: Fowler Street on 9 September 2013 for US\$667,500, and Central Avenue on 19 June 2014 for US\$115,000. The combined last independently appraised value of both sites was US\$1,330,000. The sale price was \$235,000 or 17.67% above that independently appraised price.

*Applications & Redemptions*

No application money was received as the Fund did not open to new investments during the year. Under the distribution reinvestment plan a total of \$5,093,228 was reinvested during the period, resulting in the issue of 3,289,623 units.

The Fund opened for redemptions in September 2019 and received redemption applications totalling 4,573,862 units. All were fully redeemed at a redemption price of \$1.5179 per unit resulting in a payout of \$6,942,668.

The ex-distribution unit price as at 31 December 2019 was \$1.5331 (31 December 2018: \$1.5530). There is only one class of issued units, the rights and entitlements thereof are detailed in the PDS, and in the Fund's Constitution. For the twelve months ended 31 December 2019, Ozinus Realty, LLC – a US subsidiary, paid USD 6,854,711 in dividends (ordinary and capital gains) to the Fund (year ended 31 December 2018: USD 3,779,524).

**Fund Performance (Net Of Fees)**

The Fund returns in cents per unit (gross of US withholding tax) are as below:

	<b>12 Months Ended 31 December 2019 (Cents Per Unit)</b>	<b>12 Months Ended 31 December 2018 (Cents Per Unit)</b>	<b>Since Inception 1 January 2013 (Cents Per Unit)</b>
Unit Price Movement (includes the effects of capital returns & foreign exchange)	(1.99)	14.38	53.31
Cash Distributions	10.00	10.00	59.60
<b>Total Cents Per Unit</b>	<b>8.01</b>	<b>24.38</b>	<b>112.91</b>

Past performance is not a guarantee of future performance.

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

**Units on Issue**

	<b>Number As At 31 December 2019</b>	<b>Number As At 31 December 2018</b>
Opening Balance	81,947,321	76,182,791
New units issued during the period under the capital raising	-	5,097,133
New units issued under the distribution reinvestment plan	3,289,623	3,433,590
Units redeemed under the redemption offer	(4,573,862)	(2,766,193)
<b>Number of units on issue at period end</b>	<b>80,663,082</b>	<b>81,947,321</b>

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

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

	<b>12 Months Ended 31 December 2019</b>	<b>12 Months Ended 31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Management fees	2,889,225	2,702,135
Other expense reimbursements	85,049	40,257
<b>Total fees &amp; reimbursements</b>	<b>2,974,274</b>	<b>2,742,392</b>

Expense reimbursements relate to Fund costs that are paid for by the Responsible Entity and reimbursed by the Fund.

Management fees increased because there were more funds under management.

*Performance Fee*

Using the methodology outlined in the PDS, the performance fee and associated cumulative performance fee shortfall, if any, is:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Return	5.923%	18.417%	4.213%
Hurdle	12.000%	12.000%	12.000%
Surplus / (Shortfall)	(6.077%)	6.417%	(7.787%)
<b>Cumulative Shortfall</b>	<b>\$2,234,450</b>	<b>\$365,866</b>	<b>\$2,422,715</b>

The cumulative shortfall must be made up before a future performance fee is payable.

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

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

**Likely Developments and Expected Results of Operations**

Last year the Unitholders voted to extend the Fund's life to on or before 31 December 2028. Since that time the AUD has fallen considerably against the USD, and several superior asset sales results have occurred. Recently the Directors of the Responsible Entity formed the opinion that it would be prudent to begin winding down the Fund's property portfolio incrementally over a three to five year period, beginning in 2020. A review of which properties will be sold, and when, is now underway. Unless suitable replacement assets can be found, the Director's plan to return the net sales proceeds to investors via special cash distributions and the annual redemption opportunity. As properties are sold, the net rent received by the REIT will diminish causing a lower dividend to be paid to the Fund and smaller ordinary (i.e. non-property sales related) distributions to Unitholders.

Except in the event of the payment of a performance fee, management fees paid to the Responsible Entity are expected to decrease in the 2020 financial year as redemptions and returns of capital are forecast to reduce the amount of funds under management.

Other than what is outlined above, the Fund expects to continue to operate in accordance with its investment policy as detailed in the PDS.

**Significant Changes in State of Affairs**

Other than the comments above and noting that the Fund is expected to wind up sooner than 31 December 2028, there were no significant changes in the state of affairs of the Fund that occurred during the financial period.

**Related Party Transactions**

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

	<b># of Units Held at 31 December 2019</b>	<b># of Units Held at 31 December 2018</b>
Stephen McKnight <i>(Director)</i> & Associated Parties	1,980,054	1,881,635
Plantation Capital Limited (PCL)	1,353,408	1,276,377
	<u>3,333,462</u>	<u>3,158,012</u>



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

**Related Party Transactions (cont'd)**

	<b>Value of Units Held at 31 December 2019</b>	<b>Value of Units Held at 31 December 2018</b>
Stephen McKnight ( <i>Director</i> ) & Associated Parties	\$3,035,621	\$2,922,179
Plantation Capital Limited (PCL)	\$2,074,910	\$1,982,213
	<u>\$5,110,531</u>	<u>\$4,904,392</u>

**Subsequent Events**

*COVID-19*

The world is currently being impacted by COVID-19, with the World Health Organisation declaring a pandemic on 11 March 2020. As the virus affects general economic activity there is likely to be an impact on the Fund if its wholly-owned REIT subsidiary's net income and asset values fall. Should that happen losses are expected to be somewhat offset by foreign exchange gains if the USD, considered a safe haven currency in uncertain times, appreciates against the AUD. At this time the Directors are unable to quantify the financial impact on the Fund, if any.

*Fall In The Value Of The AUD*

Between 1 January 2020 and 29 February 2020 the AUD fell from 70.158 US cents to 65.051 US cents, a fall of 7.3%. This will result in a significant unrealised foreign exchange gain for Unitholders. The AUD had depreciated further against the USD in March.

*Property Sales*

McDonough Exchange (1461-1477 Highway 20 West, McDonough, GA) was sold on 13 January 2020 for US\$5,817,500. The property was purchased on 30 December 2014 for US\$2,800,000. Its last independently appraised value was US\$5,300,000. The sale price was 9.76% above its last independently appraised price, however it should be noted the property's roof was replaced at a cost of US\$635,000 which was incurred after the last appraisal.

Texas Star (1205 Texas Star Parkway, Euless, TX) is under an unconditional contract for sale with an expected closing date of 3 April 2020. The agreed sale price is US\$6,225,000. The property was purchased on 10 July 2014 for US\$3,965,000. Its last independently appraised value was US\$5,080,000. The sale price was US\$1,115,000 or 22.54% above that last independently appraised price.

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

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**Subsequent Events (cont'd)**

*2020 Redemption*

The Fund announced a redemption offer, capped at \$5m, beginning on 1 March and ending on 31 March, 2020. It appears likely that the redemption offer will be oversubscribed, and if so, will be scaled back proportionally.

**Environmental Regulation**

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

**Indemnification and Insurance of Officers and Auditors**

The Fund has entered into an insurance policy to indemnify all Directors and Officers of the Responsible Entity, against 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 current Insurance policy extends to April 2020.

The Fund has not indemnified any auditor of the Fund.

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



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Stephen McKnight  
Chairman

Dated at Melbourne on 23 March 2020.

Moore Stephens Audit (Vic)

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

I declare that, to the best of my knowledge and belief, during the period ended 31 December 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 audit.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



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

Melbourne, Victoria

23 March 2020

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
<b>Income</b>			
Interest Income		1,468	9,413
Fair Value Gain On Investment Properties	1(h)	1,873,591	3,363,580
Rental Income		16,519,640	15,115,825
Gain On Sale Of Property		1,191,196	377,228
Foreign Currency Gain / (Loss)		323,920	(36,353)
Other Income		471,694	842,025
<b>Total Income</b>		<b>20,381,509</b>	<b>19,671,718</b>
<b>Operating Expenses</b>			
Accounting and Audit Fees		55,044	55,678
Responsible Entity's Fees	18	2,889,225	2,702,135
Compliance Costs		61,760	60,492
Custodian Fees		25,818	30,782
Insurance		31,602	29,518
Finance Costs		1,293,089	1,365,685
Legal and Due Diligence		70,298	68,740
Property Expenses		7,694,265	7,071,876
Other Operating Expenses		83,889	78,397
<b>Total Operating Expenses</b>		<b>12,204,990</b>	<b>11,463,303</b>
Operating Profit Before Tax		8,176,519	8,208,415
Tax Expense	1(m)	(1,266,412)	(4,421,200)
<b>Operating Profit After Tax</b>		<b>6,910,107</b>	<b>3,787,215</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income</b>		<b>6,910,107</b>	<b>3,787,215</b>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
Current Assets			
Cash And Cash			
Equivalents	4	14,361,342	18,537,412
Sundry Debtors	5	214,678	170,409
Other Current Assets	6	1,079,099	786,909
Total Current Assets		15,655,119	19,494,730
Non-Current Assets			
Investment Properties	13	137,636,067	140,232,820
Equipment		48,777	52,780
Other Non-Current Assets	6	393,093	473,694
Total Non-Current Assets		138,077,937	140,759,294
Total Assets		153,733,056	160,254,024
Current Liabilities			
Provisions	8	21,510	28,264
Trade And Other			
Payables	9	2,367,014	3,691,656
Distributions Payable	12	3,360,071	3,631,102
Borrowings	10	-	1,534,410
Other Current Liabilities		1,078,794	938,353
Total Current Liabilities		6,827,389	9,823,785
Non-Current Liabilities			
Borrowings	10	23,242,187	23,169,782
Deferred Tax Liability	11	11,934,176	11,795,406
Total Non-Current Liabilities		35,176,363	34,965,188
Total Liabilities		42,003,752	44,788,973
<b>Net Assets</b>		<b>111,729,304</b>	<b>115,465,051</b>
<b>Net Assets Attributable To Unitholders</b>			
Unitholders' Funds	17	92,677,765	94,527,205
Distributions Paid/Payable		(1,062,460)	237,012
Foreign Currency			
Reserve Account		20,113,999	20,700,834
<b>Total Net Assets Attributable To Unitholders</b>		<b>111,729,304</b>	<b>115,465,051</b>

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

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**CONSOLIDATED STATEMENT OF CHANGES IN  
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

<b>31 December 2019 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Foreign Currency Reserves \$</b>	<b>Total Equity \$</b>
Total Comprehensive Income For The Year		-	6,910,107	-	6,910,107
<b>Transactions With Unitholders In Their Capacity As Unitholders:</b>					
Balance At 31 December 2018		94,527,205	237,012	20,700,834	115,465,051
Foreign Currency Reserve		-	-	(586,835)	(586,835)
Distributions	12	-	(8,209,579)	-	(8,209,579)
Units Issued*	17	5,093,228	-	-	5,093,228
Units Redeemed	17	(6,942,668)	-	-	(6,942,668)
Total Transactions With Unitholders In Their Capacity As Unitholders		(1,849,440)	(8,209,579)	(586,835)	(10,645,854)
<b>Balance As At 31 December 2019</b>		<b>92,677,765</b>	<b>(1,062,460)</b>	<b>20,113,999</b>	<b>111,729,304</b>

  

<b>31 December 2018 Consolidated Entity</b>	<b>Note</b>	<b>Unitholders' Funds \$</b>	<b>Distributions Paid/Payable \$</b>	<b>Foreign Currency Reserves \$</b>	<b>Total Equity \$</b>
Total Comprehensive Income For The Year		-	3,787,215	-	3,787,215
<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		-	-	11,576,628	11,576,628
Distributions	12	-	(7,992,786)	-	(7,992,786)
Units Issued*	17	12,501,095	-	-	12,501,095
Units Redeemed	17	(3,926,611)	-	-	(3,926,611)
Total Transactions With Unitholders In Their Capacity As Unitholders		8,574,484	(7,992,786)	11,576,628	12,158,326
<b>Balance As At 31 December 2018</b>		<b>94,527,205</b>	<b>237,012</b>	<b>20,700,834</b>	<b>115,465,051</b>

\* Applications And Reinvestments

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
<b>Cash Flows From</b>			
<b>Operating Activities</b>			
Receipts From Customers		16,183,181	14,977,943
Payments To Suppliers		(8,065,154)	(7,581,581)
Management Fee		(2,738,564)	(2,666,047)
Taxes Paid		(964,346)	(464,401)
Interest Received		1,468	9,413
Interest Paid		(1,212,488)	(1,415,608)
Other Income		665,417	839,972
Net Cash Provided By			
Operating Activities	14	<u>3,869,514</u>	<u>3,699,691</u>
<b>Cash Flows From</b>			
<b>Investing Activities</b>			
Purchase Of Investment			
Properties		(6,636,742)	(3,730,192)
Sale Of Investment			
Properties		<u>10,754,886</u>	<u>6,511,614</u>
Net Cash From Investing			
Activities		<u>4,118,144</u>	<u>2,781,422</u>
<b>Cash Flows From</b>			
<b>Financing Activities</b>			
Repayment Of Borrowings		(1,539,205)	(3,036,156)
Applications Received			
From Unitholders		-	7,537,290
Redemptions Paid			
To Unitholders		(6,942,668)	(3,926,611)
Distributions Paid		<u>(3,387,384)</u>	<u>(2,847,616)</u>
Net Cash From Financing			
Activities		<u>(11,869,257)</u>	<u>(2,273,093)</u>
Net Increase / (Decrease) In			
Cash And Cash Equivalents		(3,881,599)	4,208,020
Cash At Beginning Of The			
Financial Year		18,537,412	9,648,060
Effect Of Exchange Rate On			
Cash And Cash Equivalents		<u>(294,471)</u>	<u>4,681,332</u>
<b>Cash At The End Of The</b>			
<b>Financial Year</b>	4	<u><b>14,361,342</b></u>	<u><b>18,537,412</b></u>

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis Of Preparation Of The Financial Report**

This financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This financial report has been prepared for the Fund as a consolidated Group. The Fund is a for-profit entity for the purpose of preparing this financial report. The Responsible Entity of the Fund is Plantation Capital Limited (the Responsible Entity). Unless otherwise noted, the financial report is presented in Australian currency.

The Fund's objective is to generate passive income and growth returns via its controlling interest in the REIT in accordance with the objectives disclosed in the PDS.

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

*Compliance with IFRS*

The financial report of the Fund complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

*Critical accounting estimates*

The preparation of the financial report requires the use of certain estimates and judgements in applying the Fund's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

**(b) Principles Of Consolidation**

A controlled entity is any entity controlled by the Fund. Control exists where the Fund has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Fund to achieve the objectives of the Group.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Principles Of Consolidation (cont'd)**

The Fund and its controlled entities together are referred to in this financial report as the consolidated entity and the Fund. All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Where control of an entity is obtained during a financial period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period where control existed.

**(c) Investments In Subsidiaries**

The Fund's indirect property investments are held via its controlling interest in Ozinus Realty, LLC – a limited liability company registered in Delaware that has elected to be treated as a (REIT) for US tax purposes. In turn, Ozinus Realty, LLC owns 100% of all the Limited Liability Companies that have been established to acquire the US properties purchased as at the date of this report.

**(d) Income And Expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues and expenses are recognised as follows. Income from cash deposits is recognised at the time of receipt and interest is accrued on term deposits. Property income and expenses from US investment properties are recognised on an accruals basis. Non-property income and expenses are also recognised on an accruals basis.

**(e) Finance Costs**

Finance costs are recognised as expenses in the period in which they are incurred. Borrowing costs for long term borrowings are capitalised and amortised over the period of the loan.

**(f) Distributions**

Provision is made for the amount of any distribution declared, determined or publicly recommended by the Directors on or before the end of the period but not distributed at reporting date. The distribution amount payable to Unitholders as at period end is recognised separately on the statement of financial position.

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

**(g) Cash And Cash Equivalents**

Cash and cash equivalents include cash on hand and at deposit taking institutions including short-term deposits with an original maturity of three months or less which are held at call. The Responsible Entity uses this for day to day management of the Fund's cash requirements.

**(h) Investment Property**

Investment properties are properties that are held either to earn rental income, for capital appreciation, or both. Investment properties are stated at fair value.

External, independent appraisers, having an appropriate recognised professional qualification and relevant experience in the location and category of property, value the REIT's property portfolio in accordance with the Responsible Entity's valuation policy. External valuations are taken into consideration when determining fair value. Recent transactions for similar assets and investors required return (property capitalisation rate) are considered when adopting a valuation. Unless the Directors believe a property's fair value was its purchase cost plus any capital expenditure, all properties are carried at the independent appraiser's assessment of fair market value, ignoring transaction costs. Any gain or loss is recognised in the income statement.

**(i) Interest Bearing Liabilities**

Interest bearing liabilities are initially recognised at fair value and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the income statement over the period of the interest bearing liability using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Interest bearing liabilities are derecognised from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

**(j) Financial Instruments**

*Loans and Receivables*

Loans and receivables are financial assets held in a business model where the objective is to hold the assets in order to collect contractual cashflows. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured either at amortised cost using the effective interest method, fair value through other comprehensive income or fair value through profit or loss. Measurement methods are selected depending on the Fund's business model for managing financial assets and contractual cash flow characteristics of the financial asset. All loans and receivables are measured at amortised cost.

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

**(j) Financial Instruments (cont'd)**

A simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses is used for trade receivables and lease receivables. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but no future credit losses.

The calculation of the effective interest rate includes all fees paid or received are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

Loans and receivables comprise trade and other receivables.

*Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including amounts due to Direct-related entities.

Non- derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

**(k) Provisions (Liabilities)**

Provisions are recognised when there is a present obligation from past events and it is probable that an outflow of resources will be required to settle the obligation when it can be reliably estimated.

**(l) Unitholder Funds**

Units issued by the Fund are redeemable at the option of the unit holder ("puttable") per the procedure outlined in the PDS dated 4 July 2018. As units satisfy all criteria for recognition as puttable financial instruments under paras 16A and 16B of AASB 132: Financial Instrument: Presentation, Unitholders' funds are classified as equity.

**(m) Distributions And Taxation**

Under current Australian income tax legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its Unitholders. The Fund's constitution requires that all taxable income be attributed to Unitholders each year.

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

**(m) Distributions And Taxation (cont'd)**

The US subsidiary (Ozinus Realty, LLC) has elected to be taxed as a US (REIT) under US Federal taxation law, and on this basis will generally not be subject to US income tax on that portion of taxable income which is distributed to shareholders, provided it complies with the requirements of the US Tax Code and maintains its REIT status. The US REIT may ultimately realise a capital gain or loss on disposal of property which may result in a US income tax liability. If the capital gain is realised, it may give rise to a foreign income tax offset which would be available to Unitholders upon distribution. A deferred tax liability is recognised at 26% (including a 5% Branch Profits tax on liquidating distributions or capital gains dividends) of the temporary difference between the carrying amount of the assets and their US tax cost bases. A current tax liability will be recognised for any realised taxable gain upon disposal of US investment properties if included in the dividends.

Section 9 of the PDS provides a summary of the Australian and US taxation laws and expected taxation treatment of the various returns in the hands of the REIT, the Fund and its investors (including how investors may be able to claim Foreign Income Tax Offsets for any tax paid on their behalf).

**(n) Determination Of Application And Redemption Prices**

Application and redemption prices are determined by the value of net tangible assets attributable to Unitholders, (redemption price reached after adjusting for estimated transaction costs), divided by the number of units on issue.

**(o) Goods And Services Tax (GST)**

Management fees and other expenses are recognised net of goods and services tax (GST), adjusted for reduced input tax credits as applicable, recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from, or payable to, the ATO is included in the statement of financial position.

**(p) Foreign Currencies**

*Functional and presentation currency*

The Fund's financial report is measured using its functional currency. The financial report is presented in Australian dollars, which is the Fund's functional and presentation currency.

*Transactions and balances*

Transactions in foreign currencies are translated into functional currency at the rate of exchange at the date of the transaction. Foreign currency monetary items that are outstanding at reporting date (other than monetary items arising under foreign currency contracts where exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial period adjusted for any brokerage margin. Resulting exchange differences arising on settlement or re-statement are recognised as income and expenses for the financial period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(p) Foreign Currencies (cont'd)**

*Consolidated Entities*

The results and financial position of foreign subsidiaries which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at balance date
- income and expenses in the income statement are translated at average exchange rates
- all resulting exchange differences are recognised as a separate component of Unitholders' Funds under a Foreign Currency Reserve Account.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to Unitholders' Funds. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for 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.

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

At the date of authorisation of the financial statements, the Fund has not early adopted 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.

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

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

Management has performed an assessment of this standard and established that the only item which requires reporting as a right to use asset and obligation to pay a liability, relates to Sunizo LLC's rental premises. Management has decided not to early adopt this standard as part of the financial statements. Management has assessed the impact to be immaterial to the financial statements.

**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 in accordance with the transition provisions set out in AASB 9.

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

The investments were reported at fair value and any gains/(losses) recognised through profit and loss meaning reporting is already in compliance with requirements of AASB 9. Receivables have been assessed for impairment under the new expected credit loss model. However since receivables are short term and usually settled in a month, the changes did not have a material impact.

The Directors reviewed and assessed the financial instruments as at the reporting date, and 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 for the financial year ended 31 December 2018. AASB 15 introduces a five 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.

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**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Fund makes certain estimates and assumptions, which could have a material impact on the assets and liabilities in the financial period. These are discussed below:

*Income Tax*

Under current legislation the Fund is not subject to income tax as its taxable income is distributed fully to Unitholders. Continued consistent treatment by the ATO is assumed.

*Investment Property*

Critical judgements are made by the Responsible Entity in respect of fair values of investment properties. These are reviewed every six months with reference to the property's purchase price, capital expenditure during the period and latest external independent property appraiser's report, excluding transaction costs. The critical assumptions underlying the Responsible Entity's estimates of fair values relate to the receipt of contractual rents, expected future market rentals, maintenance requirements and discount rates that reflect current market uncertainties. If there is any change in these assumptions or regional or national economic conditions, the fair value of investment properties may differ.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

The Fund may be exposed to a variety of financial risks comprising:

- |                       |                   |                        |
|-----------------------|-------------------|------------------------|
| (a) Market Price Risk | (b) Currency Risk | (c) Liquidity Risk     |
| (d) Fair Values Risk  | (e) Credit Risk   | (f) Interest Rate Risk |

The Board of Directors of the Responsible Entity has the overall responsibility for identifying and managing operational and financial risks. The Fund held the following financial instruments at balance date:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and Cash Equivalents	14,361,342	18,537,412
Sundry Debtors	214,678	170,409
Prepayments	496,344	450,690
Borrowing Costs	426,400	502,845
Other Financial Assets	549,448	307,068
	16,048,212	19,968,424
<b>Financial Liabilities</b>		
(excluding net assets attributable to Unitholders)		
Payables and Other Financial Liabilities	3,467,318	4,658,273
Distributions Payable	3,360,071	3,631,102
Vendor Loans	1,647,727	3,177,004
Long Term Loans	21,463,068	21,396,205
USA REIT Funding	131,392	130,983
	30,069,576	32,993,567

These accompanying notes form part of these financial statements

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(a) Market Price Risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market price (except that arising from interest rate or currency risk).

**(b) Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changing exchange rates. The Fund, via its controlled entities, invests in financial instruments denominated primarily in US Dollars (USD). The Fund has not entered into Forward Exchange contracts. It purchases foreign currency at market price based on prevailing advice and board policy.

At balance date, the carrying value of the Fund's net financial assets and liabilities held in foreign currencies expressed in AUD and as a percentage of its net assets were as follows:

	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	
	<b>\$</b>	<b>% of net assets</b>	<b>\$</b>	<b>% of net assets</b>
Cash Held In USD	14,314,775	12.81%	15,764,925	13.65%

  

	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	
	<b>Year End</b>	<b>Average</b>	<b>Year End</b>	<b>Average</b>
AUD:USD exchange rates	0.7040	0.6954	0.7062	0.7475

*Market Derivatives*

The Fund may utilise forward exchange contracts to mitigate foreign currency risk for transactions undertaken in foreign currencies. At balance date there were no outstanding forward contracts.

*Sensitivity*

If foreign exchange rates were to increase/decrease by 10% from rates as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the period and net assets attributable to Unitholders is as follows:

	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	
	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>
Impact on profit allocated to Unitholders	(902,390)	1,102,795	(980,701)	1,197,018
Impact on net assets attributable to Unitholders	(11,565,362)	14,135,441	(11,564,949)	14,134,133

These accompanying notes form part of these financial statements



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**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(c) Liquidity Risk**

Given the Fund invests, albeit indirectly, in real estate, which is an illiquid asset, there is no guarantee that the Responsible Entity will be able to honour every redemption request in full. There is also a risk that the Fund will be unable to meet these requests in a timely manner or that they may be scaled back. In the event the Fund is wound up and required to dispose assets, the Fund may not be able to realise sufficient assets in a timely manner or at an optimal price.

This may affect the Responsible Entity's ability to return capital to Unitholders. The liquidity risk associated with redemptions is managed by the redemption policy as disclosed on the website. The Responsible Entity manages this risk by ensuring there are sufficient liquid assets to meet operating debt and other obligations. For instance, the Responsible Entity permits borrowings of up to 60% of a property's value so long as the total loan-to-valuation ratio across the portfolio remains at 40% or less (based on fair market value).

*Maturity Analysis*

The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

**31 December 2019**

	<b>&lt; 1 Year \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt; 5 Years \$'000</b>	<b>Carrying Amount \$'000</b>
Liabilities				
Trade & Other Payables	(2,367)	-	-	(2,367)
Distributions Payable	(3,360)	-	-	(3,360)
Borrowings	-	(1,648)	(21,594)	(23,242)
Other Financial Liabilities	(1,100)	-	-	(1,100)
	<b>(6,827)</b>	<b>(1,648)</b>	<b>(21,594)</b>	<b>(30,069)</b>

**31 December 2018**

	<b>&lt; 1 Year \$'000</b>	<b>1-5 Years \$'000</b>	<b>&gt; 5 Years \$'000</b>	<b>Carrying Amount \$'000</b>
Liabilities				
Trade & Other Payables	(3,692)	-	-	(3,692)
Distributions Payable	(3,631)	-	-	(3,631)
Borrowings	(1,534)	(1,643)	(21,527)	(24,704)
Other Financial Liabilities	(967)	-	-	(967)
	<b>(9,824)</b>	<b>(1,643)</b>	<b>(21,527)</b>	<b>(32,994)</b>

*Puttable Financial Instruments*

Units issued by the Fund are redeemable at the option of the unit holder ("puttable") as per the procedure outlined in the PDS. As the units satisfy all relevant criteria for recognition as puttable financial instruments under AASB 132, Unitholders' Funds are classified as equity (rather than financial liabilities). Consequently, the liquidity risk disclosures do not include contractual or expected cash flow information in respect of the units.

These accompanying notes form part of these financial statements

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(d) Credit Risk Exposures**

Credit risk represents the loss that would be recognised if counterparties failed to meet contractual obligations. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market. The total credit risk for Financial Position items including fixed income and equity securities is therefore limited to the amount carried on the Statement of Financial Position.

**(e) Fair Values Of Financial Assets And Liabilities**

Financial assets and liabilities measured and recognised at fair value have been determined using the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Fair value of listed equity securities is determined at the quoted closing bid price.
- Level 2: Input other than quoted prices, observable for the assets or liabilities, either directly or indirectly. Fair value of derivatives is determined at quoted prices from financial institutions at balance date.
- Level 3: Inputs are not based on observable market data. Unlisted securities have unobservable inputs. Fair value is established using valuation techniques.

Due to the short term nature of settlement, carrying amounts of trade and other receivables, trade and other payables, and distributions payable are approximate fair values.

Fair value of investment properties disclosed in Note 13 have been determined using Level 3 inputs.

<b>Fair Value Measurement At 31 December 2019</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets At Fair Value Through Profit and Loss</b>				
Investment Properties	-	-	137,636,067	137,636,067
<b>Fair Value Measurement At 31 December 2018</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets At Fair Value Through Profit and Loss</b>				
Investment Properties	-	-	140,232,820	140,232,820

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**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(e) Fair Values Of Financial Assets And Liabilities (cont'd)**

<b>Reconciliation Of Level 3 Fair Value Instruments</b>			
	<b>2019</b>	<b>2018</b>	
	<b>\$</b>	<b>\$</b>	
<b>Investment Properties</b>			
Opening Balance	140,232,820	127,435,439	
Gains			
In Profit and Loss - Unrealised	1,004,303	3,363,580	
In Profit and Loss - Realised	2,060,484	377,228	
Purchases/ Capital Expenditure	5,490,032	3,419,643	
Sale of Properties	(9,517,045)	(8,274,156)	
Foreign Exchange Impact	(1,634,527)	13,911,086	
Closing Balance	137,636,067	140,232,820	

  

<b>Valuation Techniques Used</b>	<b>Inputs Used To Measure Fair Value</b>	<b>FV Sensitivity To Increase In Inputs</b>	<b>FV Sensitivity To Decrease In Inputs</b>
	Projected net operating income per management	Increase	Decrease
Income capitalisation & sales comparison approach	Capitalisation rates	Decrease	Increase

Income Capitalisation Approach analyses a property's income producing capabilities. Valuation techniques employed in this approach are discounted cash flow and direct capitalisation analysis. The Sales Comparison Approach is based on the assumption that a prudent buyer would not pay more for a property than it would cost to acquire a comparable substitute property. Property valuations are conducted in accordance with the Fund's valuation policy.

**(f) Interest Rate Risk**

The Fund's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and liabilities at balance date is as follows:

<b>31 December 2019</b>	<b>Interest Bearing \$'000</b>	<b>Non-Interest Bearing \$'000</b>	<b>Total Carrying Amount \$'000</b>	<b>Weighted Average Effective Interest Rate</b>	<b>Fixed / Variable Rate</b>
<b>Financial Assets</b>					
Cash & Cash Equivalents	14,361	-	14,361	0.0%	Variable
Sundry Debtors	-	215	215		
Other Financial Assets	-	1,472	1,472		
<b>Total Financial Assets</b>	<b>14,361</b>	<b>1,687</b>	<b>16,048</b>		

These accompanying notes form part of these financial statements

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(f) Interest Rate Risk (cont'd)**

<b>31 December 2019</b>	<b>Interest Bearing \$'000</b>	<b>Non- Interest Bearing \$'000</b>	<b>Total Carrying Amount \$'000</b>	<b>Weighted Average Effective Interest Rate</b>	<b>Fixed / Variable Rate</b>
<b>Financial Liabilities</b>					
Trade Creditors	-	(2,367)	(2,367)		
Distribution Payable		(3,360)	(3,360)		
USA REIT Funding	(131)		(131)		
Borrowings	(23,111)	-	(23,111)	4.89%	Fixed
Other Liabilities	-	(1,100)	(1,100)		
<b>Total Financial Liabilities</b>	<b>(23,242)</b>	<b>(6,827)</b>	<b>(30,069)</b>		
<b>Net Financial Assets</b>	<b>(8,881)</b>	<b>(5,140)</b>	<b>(14,021)</b>		
<b>31 December 2018</b>	<b>Interest Bearing \$'000</b>	<b>Non- Interest Bearing \$'000</b>	<b>Total Carrying Amount \$'000</b>	<b>Weighted Average Effective Interest Rate</b>	<b>Fixed / Variable Rate</b>
<b>Financial Assets</b>					
Cash & Cash Equivalents	18,537	-	18,537	0.0%	Variable
Sundry Debtors	-	170	170		
Other Financial Assets	-	1,261	1,261		
<b>Total Financial Assets</b>	<b>18,537</b>	<b>1,431</b>	<b>19,968</b>		
<b>Financial Liabilities</b>					
Trade Creditors	-	(3,692)	(3,692)		
Distribution Payable		(3,631)	(3,631)		
USA REIT Funding	(131)		(131)		
Borrowings	(24,573)	-	(24,573)	4.88%	Fixed
Other Liabilities	-	(967)	(967)		
<b>Total Financial Liabilities</b>	<b>(24,704)</b>	<b>(8,290)</b>	<b>(32,994)</b>		
<b>Net Financial Assets</b>	<b>(6,167)</b>	<b>(6,859)</b>	<b>(13,026)</b>		

**Sensitivity**

The impact of an increase or decrease in interest rates by 100 basis points (a decrease would mean effective interest rate is zero) is as follows:

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(f) Interest Rate Risk (cont'd)**

	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	
	<b>+100bps</b>	<b>-100bps</b>	<b>+100bps</b>	<b>-100bps</b>
Impact on profit before finance costs allocated to Unitholders	143,613	-	185,374	-
Impact on net assets attributable to Unitholders	143,613	-	185,374	-
	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	

**NOTE 4: CASH AND CASH EQUIVALENTS**

Cash in bank AUD	46,567	2,772,487
Cash in bank USD	14,314,775	15,764,925
	<u>14,361,342</u>	<u>18,537,412</u>

**NOTE 5: SUNDRY DEBTORS**

GST Refund	68,608	66,179
Rent Receivable	146,070	104,230
	<u>214,678</u>	<u>170,409</u>

**NOTE 6: OTHER ASSETS**

**Current Assets**

Security Deposits	78,038	73,052
Prepaid Insurance	418,866	398,881
Prepaid Expenses	77,478	51,809
Borrowing Costs	78,016	77,773
Other Current Assets	426,701	185,394
	<u>1,079,099</u>	<u>786,909</u>

**Non-Current Assets**

Borrowing Costs	348,384	425,072
Office Set-Up Costs	44,709	48,622
	<u>393,093</u>	<u>473,694</u>

Borrowing costs totalling \$426,400 relating to the US\$15.11m refinance are being amortised over 10 years.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018		
	\$	\$		
NOTE 7: AUDITORS REMUNERATION				
Amounts Paid and Payable to the Auditors	55,044	55,678		
NOTE 8: PROVISIONS				
Provision for Audit Fees	21,510	28,264		
NOTE 9: TRADE AND OTHER PAYABLES				
Trade Creditors	1,125,365	2,424,963		
Accrued Property Taxes	118,263	150,773		
Security Deposits Held	1,123,386	1,115,920		
	2,367,014	3,691,656		
NOTE 10: BORROWINGS				
Current Borrowings				
Due within 12 months	-	1,534,410		
Non-Current Borrowings				
USA REIT Funding	131,392	130,983		
Long Term Loans (excluding current)	23,110,795	23,038,799		
	23,242,187	23,169,782		
Total Borrowings	23,242,187	24,704,192		
Specifics Of Loan	AUD ('000)	USD ('000)	AUD ('000)	USD ('000)
2634 N. Orange Blossom Trail, FL				
5.00% pa, due Mar 2019	-	-	1,110	784
830 NE 24th Lane, Cape Coral, FL				
4.25% pa, due Apr 2019	-	-	425	300

These accompanying notes form part of these financial statements

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	
<b>NOTE 10: BORROWINGS (cont'd)</b>				
<b>Specifics Of Loan (cont'd)</b>	<b>AUD</b>	<b>USD</b>	<b>AUD</b>	<b>USD</b>
	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>
<i>13584 49th St Nth, Clearwater, FL</i>				
5.0% pa due Apr 2023	1,648	1,160	1,642	1,160
<i>Long Term Borrowings - Refinance</i>				
7 properties, 5.145% pa due Jun 2025	16,349	11,510	16,298	11,510
<i>400 Technology Parkway, GA</i>				
4.5% pa, due Jan 2026	5,114	3,600	5,098	3,600
<i>USA REIT Funding</i>				
12.5% pa, no maturity	131	92	131	92
Total Borrowings	23,242	16,362	24,704	17,446
	<b>2019</b>		<b>2018</b>	
	<b>\$</b>		<b>\$</b>	
<b>NOTE 11: DEFERRED TAX LIABILITY</b>				
Opening Balance	11,795,406		7,838,607	
Movement From Change in				
Fair Value of Properties	138,770		3,956,799	
Closing Balance	11,934,176		11,795,406	
<b>NOTE 12: DISTRIBUTIONS</b>				
Interim	4,176,426		3,895,421	
Final	4,033,153		4,097,365	
	8,209,579		7,992,786	
Payable At Period End	3,360,071		3,631,102	

These accompanying notes form part of these financial statements

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>As At 31 December 2019</u>		<u>As At 31 December 2018</u>	
<b>NOTE 13: INVESTMENT PROPERTIES (AT FAIR VALUE)</b>	<b>AUD</b>	<b>USD</b>	<b>AUD</b>	<b>USD</b>
<b>Texas Properties</b>				
1671 Riverview Dve, Lewisville	-	-	6,244,690	4,410,000
1205 Texas Parkway, Euless	7,759,224	5,462,494	7,193,430	5,080,000
Total Texas Property	7,759,224	5,462,494	13,438,120	9,490,000
<b>Georgia Properties</b>				
6620 Tara Blvd, Jonesboro	6,858,250	4,828,208	6,527,896	4,610,000
6205/15 Shiloh Crossing, Alpharetta	10,085,227	7,100,000	10,053,809	7,100,000
1461 HWY 20 W, McDonough	8,263,495	5,817,500	7,080,147	5,000,000
2081 Jonesboro Rd, McDonough	5,997,398	4,222,168	5,805,721	4,100,000
270 Scientific Drive, Norcross	7,527,871	5,299,621	7,108,468	5,020,000
358 McDonough Pkway, McDonough	1,661,932	1,170,000	1,656,754	1,170,000
2192 Eastview Parkway, Conyers	3,443,880	2,424,492	3,412,631	2,410,000
400 Tech Pkway, Peachtree Corners	11,387,440	8,016,758	11,328,236	8,000,000
350 Tech Pkway, Peachtree Corners	7,204,644	5,072,069	7,080,147	5,000,000
6564 Tara Blvd, Jonesboro	3,369,023	2,371,792	3,171,906	2,240,000
Total Georgia Property	65,799,160	46,322,608	63,225,715	44,650,000
<b>Florida Properties</b>				
3350 Hanson St, Fort Myers	1,994,185	1,403,906	1,939,960	1,370,000
13584 49th St Nth, Clearwater	5,529,162	3,892,530	5,451,713	3,850,000
4700 110th Ave Nth, Pinellas Park	2,354,401	1,657,498	2,336,449	1,650,000
2853 Work Dve, Fort Myers	4,994,094	3,515,842	4,941,943	3,490,000
2148 Fowler St, Fort Myers	-	-	1,883,319	1,330,000
1408 Hamlin & 2013 Murcott, St Cloud	4,169,041	2,935,005	4,106,485	2,900,000
1904 Oak Grove Blvd, Lutz	6,840,574	4,815,764	6,796,941	4,800,000
5250 Giron Circle, Kissimmee	3,516,517	2,475,628	3,483,432	2,460,000
720 S. Dixie Fwy, New Smyrna Beach	4,078,054	2,870,950	3,879,921	2,740,000
2634 N. Orange Blossom Trail	3,458,594	2,434,850	3,440,952	2,430,000
5961 Northland Rd, Fort Myers	1,892,878	1,332,586	1,883,319	1,330,000
16151 Pine Ridge Rd, Fort Myers	1,899,970	1,337,579	1,869,159	1,320,000
830 NE 24th Lane, Cape Coral	2,563,015	1,804,363	2,548,853	1,800,000
12050 49th St Nth, Clearwater	7,296,151	5,136,490	7,136,788	5,040,000
2621 NE 9th Ave, Cape Coral	1,768,137	1,244,768	1,755,877	1,240,000
1221 SE 9th Ter, Cape Coral	1,491,477	1,050,000	1,486,831	1,050,000
1013 SE 12th Avenue, Cape Coral	-	-	1,359,388	960,000
932 NE 24th Lane, Cape Coral	1,686,584	1,187,355	1,585,953	1,120,000
5636 Youngquist Rd, Fort Myers	1,022,034	719,512	1,008,805	712,417
5760 Youngquist Rd, Fort Myers	1,601,865	1,127,713	1,585,953	1,120,000
3419 Westview Drive, Naples	3,181,338	2,239,662	3,086,944	2,180,000
2200 Kings HWay, Port Charlotte	2,739,612	1,928,689	-	-
Total Florida Property	64,077,683	45,110,690	63,568,985	44,892,417
Total Property	137,636,067	96,895,792	140,232,820	99,032,417

These accompanying notes form part of these financial statements



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 14: CASH FLOW INFORMATION</b>		
Reconciliation of net cash provided by operating activities to net operating profit		
Net Operating Profit	6,910,107	3,787,215
Add / (Less) Non-Cash Items:		
Unrealised Foreign Currency (Gain)/Loss	(130,197)	34,300
Unrealised Revaluation Gains	(1,873,591)	(3,363,580)
Realised Gains on sale of Properties	(1,191,196)	(377,228)
(Increase) / Decrease In Sundry Debtors	(44,269)	40,672
(Increase) / Decrease In Other Current Assets	(211,589)	(228,477)
Increase / (Decrease) In Trade Payables and Other Liabilities	108,183	(150,010)
Increase in Deferred Tax Liability	138,770	3,137,464
Increase In Tax Payable	163,296	819,335
Net Cash Provided By Operating Activities	<u>3,869,514</u>	<u>3,699,691</u>

**NOTE 15: PARENT ENTITY INFORMATION**

**(a) Parent Entity**

The parent entity of the Group is the Passive Income (USA Commercial Property) Fund

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Financial Information</b>		
<b>Income Statement Information</b>		
Net profit attributable to Unitholders of the parent entity	<u>5,786,126</u>	<u>2,314,764</u>
<b>Comprehensive Income Information</b>		
Total comprehensive income attributable to Unitholders of the parent entity	<u>5,786,126</u>	<u>2,314,764</u>
<b>Statement of Financial Position Information</b>		
Current Assets	3,246,430	6,587,548
Non-Current Assets	60,386,516	61,454,583
Current Liabilities	(3,814,032)	(3,950,320)
Net Assets	<u>59,818,914</u>	<u>64,091,811</u>

These accompanying notes form part of these financial statements

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	As At 31 December 2019 \$	As At 31 December 2018 \$
<b>NOTE 15: PARENT ENTITY INFORMATION (cont'd)</b>		
<b>Statement of Financial Position Information (cont'd)</b>		
Unitholders Funds	92,876,230	94,725,670
Undistributed Profits	(33,057,316)	(30,633,859)
Total Equity	<u>59,818,914</u>	<u>64,091,811</u>

**NOTE 16: CONTROLLED ENTITIES**

	Country of Incorporation	% Owned
Entities 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 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%

These accompanying notes form part of these financial statements

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**NOTE 16: CONTROLLED ENTITIES (cont'd)**

	<b>Country of Incorporation</b>	<b>% Owned</b>
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%
Ozinus Texas Star, LLC (acquired 16 July 2014)	USA	100%
Ozinus Shiloh, LLC (acquired 23 July 2014)	USA	100%
Ozinus 1013 SE12-CC, LLC (acquired 24 September 2014)	USA	100%
Ozinus 932NE24-CC, LLC (acquired 30 September 2014)	USA	100%
Ozinus McDonough, LLC (acquired 30 December 2014)	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 350Tech, LLC (acquired 19 December 2016)	USA	100%
Ozinus 6564 Tara, LLC (acquired 13 April 2017)	USA	100%
Ozinus Maple, LLC (acquired 31 January 2019)	USA	100%
Sunizo, LLC (acquired 30 March 2015)	USA	100%

These accompanying notes form part of these financial statements

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 17: UNITHOLDERS' FUNDS</b>		
Opening Balance	94,527,205	85,952,721
Applications	-	7,537,290
Distributions Reinvested	5,093,228	4,963,805
	5,093,228	12,501,095
Redemptions	(6,942,668)	(3,926,611)
Net Movement During The Period	(1,849,440)	8,574,484
Closing Balance	92,677,765	94,527,205

The Fund's redemption policies are disclosed in Note 1(o), and in the PDS. The amount of net assets attributable to Unitholders can change on a monthly basis.

**NOTE 18: RELATED PARTY TRANSACTIONS**

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

**Key Management Personnel**

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 Director was paid \$22,580 for providing compliance services for twelve months to 31 December 2018.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</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	2,889,225	2,702,135
Total Fees To The Responsible Entity	2,889,225	2,702,135
Other Expense Reimbursements	85,049	40,257
Total Fees & Reimbursements	2,974,274	2,742,392

Fees paid to the Responsible Entity are pursuant to the disclosures made in the PDS.

These accompanying notes form part of these financial statements

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**NOTE 18: RELATED PARTY TRANSACTIONS (cont'd)**

**Related Party Investments Held By the Fund**

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

Except as noted above, none of the Directors, or Director related entities held units in the Fund, directly, indirectly or beneficially. Responsible Entity or its Director-related entities may invest in or withdraw from the Fund on the same terms and conditions as applicable to other investors.

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

	<b># of Units Held at 31 December 2019</b>	<b># of Units Held at 31 December 2018</b>
Stephen McKnight ( <i>Director</i> )		
& Associated Parties	1,980,054	1,881,635
Plantation Capital Limited (PCL)	1,353,408	1,276,377
	<u>3,333,462</u>	<u>3,158,012</u>
	<b>Value of Units Held at 31 December 2019</b>	<b>Value of Units Held at 31 December 2018</b>
Stephen McKnight ( <i>Director</i> )		
& Associated Parties	3,035,621	2,922,179
Plantation Capital Limited (PCL)	2,074,910	1,982,213
	<u>5,110,531</u>	<u>4,904,392</u>

\*During the year PCL acquired all units held by PropertyInvesting.com Pty Ltd on an arm's length basis.

**NOTE 19: SUBSEQUENT EVENTS**

*COVID-19*

The world is currently being impacted by COVID-19, with the World Health Organisation declaring a pandemic on 11 March 2020. As the virus affects general economic activity there is likely to be an impact on the Fund if its wholly-owned REIT subsidiary's net income and asset values fall. Should that happen losses are expected to be somewhat offset by foreign exchange gains if the USD, considered a safe haven currency in uncertain times, appreciates against the AUD. At this time the Directors are unable to quantify the financial impact on the Fund, if any.

*Fall In The Value Of The AUD*

Between 1 January 2020 and 29 February 2020 the AUD fell from 70.158 US cents to 65.051 US cents, a fall of 7.3%. This will result in a significant unrealised foreign exchange gain for Unitholders. The AUD had depreciated further against the USD in March.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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*Property Sales*

McDonough Exchange (1461-1477 Highway 20 West, McDonough, GA) was sold on 13 January 2020 for US\$5,817,500. The property was purchased on 31 December 2014 for US\$2,800,000. Its last independently appraised value was US\$5,300,000. The sale price was 9.76% above its last independently appraised price, however it should be noted that most of this increase is attributable to the property being re-roofed at a cost of US\$635,000.

Texas Star (1205 Texas Star Parkway, Euless, TX) is under an unconditional contract for sale with an expected closing date of 3 April 2020. The agreed sale price is US\$6,225,000. The property was purchased on 10 July 2014 for US\$3,965,000. Its last independently appraised value was US\$5,080,000. The sale price was 22.54% above its last independently appraised price.

*Redemptions*

The Fund announced a redemption offer, capped at \$5m, beginning on 1 March and ending on 31 March, 2020. It appears likely that the redemption offer will be oversubscribed, and if so, will be scaled back proportionally.

**NOTE 20: COMMITMENTS AND CONTINGENCIES**

The Fund has no commitments or contingencies to report.

**NOTE 21: 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**  
P: 03 8892 3800 F: 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**

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**DIRECTOR'S DECLARATION**

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

1. The financial statements and notes as set out on pages 10 to 36, are in accordance with the Corporations Act 2001 and:
  - (a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001;
  - (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
  - (c) Give a true and fair view of the financial position of the Fund as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



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Stephen McKnight

Director

Melbourne: 23 March 2020

Moore Stephens Audit (Vic)

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Melbourne Victoria 3000  
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Level 1, 219 Ryrie Street  
Geelong Victoria 3220  
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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND**

### **Opinion**

We have audited the accompanying financial report of Passive Income (USA Commercial Property) Fund (the Fund), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

In our opinion:

- a. the financial report of Passive Income (USA Commercial Property) Fund is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Fund's financial position as at 31 December 2019 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 : Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Responsibilities of the Directors for the Financial Report

The directors of the Fund are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf).

This description forms part of our auditor's report.



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23 March 2020