

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

ARSN 155 770 095

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015**

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

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015**

TABLE OF CONTENTS

	Page
Table Of Contents	i
Directors' Report	1
Auditor's Independence Declaration	8
Financial Report For The Year Ended 30 June 2015	
Consolidated Statement Of Comprehensive Income	9
Consolidated Statement Of Financial Position	10
Consolidated Statement Of Changes In Net Assets Attributable To Unitholders	11
Consolidated Statement Of Cash Flows	12
Notes To The Consolidated Financial Statements	13
Director's Of Responsible Entity Declaration	40
Independent Auditor's Report	41

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

DIRECTORS' REPORT (cont'd)

The directors of Plantation Capital Ltd - the Responsible Entity of the Passive Income (USA Commercial Property) Fund (the Fund), a Managed Investment Scheme, present their report together with the financial statements of the Fund for the year ended 30 June 2015. 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) structure that owns a diversified portfolio of commercial properties located in the United States of America.

The investment activities of the Fund continued to be in accordance with the investment policy of the Fund as outlined in the Product Disclosure Statement (PDS) dated 18 July 2013 and the Supplementary Product Disclosure Statement (SPDS) dated 29 January 2015. The Fund, via its controlled subsidiaries, has primarily invested in USA based commercial properties.

The Fund did not have any employees during the year.

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 a significant portion of USA properties, including single family homes, multi-family homes, and commercial real estate.

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 been providing financial advisory services to corporations, institutions and high net worth individuals for the past 23 years.

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

DIRECTORS' REPORT (cont'd)

Until November 2011, he worked as the Managing Director of Jeena Limited, a Melbourne-based firm of Chartered Accountants that provided family office services and specialised investment opportunities to select, high-net wealth clients and families.

After successfully selling and transitioning Jeena Ltd into an ASX listed Company, Paul was appointed CEO of the Social Media software company DC123. With headquarters in Melbourne, DC123 provides disruptive turn-key social media solutions for some of Australia's leading brands in financial services, property, health services, aviation, recruitment and hospitality industries.

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

Pursuant to the PDS dated 18 July 2013 and the SPDS dated 29 January 2015, a total of \$15,155,425 of application money was received during the financial year, which after deducting contribution fees resulted in the issue of 11,930,693 units. Under the reinvestment plan a total of \$2,910,652 was reinvested during the year, resulting in an issue of 2,593,137 units.

During the financial year the Fund, via its controlled entities, acquired nine properties for a total purchase cost of \$25,532,783. These properties are located in Florida, Texas and Georgia.

The Fund's consolidated net operating profit before distributions attributable to Unitholders for the current year was \$3,784,225 (2014: Profit \$2,616,047).

The parent entity alone (without consolidating the US operations) recorded a net operating loss before distributions attributable to Unitholders of \$2,332,057 (2014: (\$770,770)). The loss was a result of only one dividend being received from Ozinus Realty, LLC for the financial year and hence a substantial amount of the Group's profit remained as undistributed income in the books of the subsidiary.

Once US taxation compliance matters are finalised it is expected that more regular dividends will be paid by Ozinus Realty, LLC to the parent entity.

Also, the management fee expense increased due to more funds under management. The Responsible Entity was entitled to be paid a performance fee pursuant to the Product Disclosure Statement.

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

DIRECTORS' REPORT (cont'd)

	Financial Year Ended 30 June 2015		Financial Year Ended 30 June 2014	
	\$	Cents / unit	\$	Cents / unit
Interim Distribution Paid	2,119,060	4	1,266,428	4
Final Distribution Payable	2,645,706	4	2,064,745	4
Total Distribution	4,764,766	8	3,331,173	8

The ex-distribution unit price as at 30 June 2015 was \$1.3277 (2014: \$1.0516). The basis for valuation of the Fund's assets is disclosed in Note 1(o) to the financial statements.

There is only one class of issued units, the rights and entitlements thereof are detailed in the PDS dated 18 July 2013 and SPDS dated 29 January 2015, and in the Fund's Constitution.

Fund Performance

	2015	2014
Capital growth (cents per unit)	27.61	(2.54)
Cash Distribution (cents per unit)	8.00	8.00
Total Return (cents per unit)	35.61	5.46

The cents per unit capital growth and cash distribution is from 1 July 2014 to 30 June 2015.

For the year ended 30 June 2015, Ozinus Realty, LLC – a US subsidiary had paid \$930,414 in dividends to the Fund (2014: \$111,671). As mentioned earlier, more regular dividends are expected to be received from Ozinus Realty, LLC once US taxation compliance related matters are fully resolved.

Units on Issue

	2015 #	2014 #
Opening Balance	51,618,696	27,572,272
New units issued during the year under the capital raising	11,930,693	23,257,324
New units issued under the distribution reinvestment plan	2,593,137	789,100
Number of units on issue at year end	66,142,526	51,618,696

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

DIRECTORS' REPORT (cont'd)

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 year:

	2015	2014
	#	#
Management fees	1,399,160	763,768
Performance fees	2,124,076	-
Total fees to the Responsible Entity	3,523,236	763,768
Other Expense reimbursements	120,655	406,045
Total Fees & Reimbursements	3,643,891	1,169,813

Management fees are paid to the Responsible Entity to execute the investment strategy as outlined in the PDS dated 18 July 2013 and the SPDS dated 29 January 2015. The higher management fees in 2015 reflects the increase in funds under management during the year.

Expense reimbursements relate to costs incurred by the Fund but paid by the Responsible Entity and later reimbursed. No fee or margin was charged on top of the expense amount. Since January 2015, most expenses attributable to the Fund are being paid directly by the Fund.

Performance fees are payable to the Responsible Entity where certain performance criteria is met. During the year, performance of the Fund exceeded the target benchmark (including any shortfall from prior year(s) – if any) and therefore the Responsible Entity was entitled to be paid a performance fee pursuant to the Product Disclosure Statement.

Related Party Transactions

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

	Units held at 30 June 2015	Units held at 30 June 2015
	#	Value in AUD
Stephen McKnight <i>(Director)</i> & Associated Parties	1,518,842	2,016,567
Plantation Capital Limited	304,583	404,395
Davendra Prasad <i>(CFO)</i>	65,858	87,440

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

DIRECTORS' REPORT (cont'd)

	Units held at 30 June 2014 #	Units held at 30 June 2014 Value in AUD
Stephen McKnight <i>(Director)</i> & Associated Parties	967,082	1,016,983
Plantation Capital Limited	-	-
Davendra Prasad <i>(CFO)</i>	17,589	18,497

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 Forward Exchange contracts. It purchases US dollars at market price based on prevailing advice and board policy. As at 30 June 2015, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD). During the year, a number of term deposits on 30 to 90 day terms were arranged via the custodian Australian Executor Trustees Ltd (AET).

Likely Developments and Expected Results of Operations

The Fund expects to continue to operate in accordance with its investment policy as detailed in the PDS issued 18 July 2013 and the SPDS dated 29 January 2015.

Significant Changes in State of Affairs

The Fund continued its acquisition of US Commercial properties in accordance with its investment strategy.

On 1 June 2015 Ozinus Realty, LLC, the US REIT, successfully completed a USD 11.51 million refinance through Walker & Dunlop Commercial Property Funding I WF, LLC, a Delaware Limited Liability Company. The term of the non-recourse loan is 10 years with monthly fixed interest-only payments at 5.145% per annum. The proceeds from the refinance were used to acquire more real estate in accordance with the investment strategy outlined in the PDS.

The outsourced property management services of Silver, Silver and Silvers were discontinued effective June 2015. In its place a new wholly owned subsidiary, Sunizo LLC, was created to bring the property management services in-house.

The Fund benefitted from a material decrease in the value of the AUD against the USD resulting in substantial unrealised profits.

Apart from the above, in the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

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

DIRECTORS' REPORT (cont'd)

Subsequent Events

Properties Acquired

The following properties were acquired or had gone unconditional pending acquisition after balance date:

Address	Acquisition Date	USD	AUD (Spot rate at acquisition)
358-372 McDonough Parkway McDonough, GA	24 July 2015	700,000	949,410
5636 Youngquist Road Fort Myers, FL	15 July 2015	450,000	604,108
5760 Youngquist Road Fort Myers, FL	15 July 2015	650,000	872,600
3419 - 3437 Westview Drive Naples, FL	31 Aug 2015	1,320,000	1,842,289

The contract to purchase 2192 East View Parkway, Conyers, Georgia for \$1,900,000 had gone unconditional but a closing date has yet to be determined as at the date these financial statements were issued.

Fall In The Value Of The AUD:USD

For the period 1 July 2015 to the time when these accounts were issued, the AUD depreciated significantly in value against the USD, providing the Fund with unrealised foreign exchange gains of \$6,184,567. This gain was arrived at using the movement in AUD:USD exchange rate at 21 September 2015 of 0.7202 (30 June 2015: 0.7727).

Fund Subscription Cap Reached

On 31 July 2015 the Fund's subscription cap of \$75m was reached. An oversubscription of \$293,000 was returned to the unsuccessful unit applicants as a result of the cap being reached.

First Redemption Offer

The Fund expects to open its first redemption offer during the month of October 2015. Redemption requests may be scaled back if the total redemption amount exceeds the amount available for redemption as determined by the directors.

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

DIRECTORS' REPORT (cont'd)

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 each director of the Responsible Entity, to an amount of \$5,000,000, against any liability arising from a claim brought against the company and the directors by a third party for the supply of 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.

Dated at Melbourne on 21 September 2015



Stephen McKnight
Chairman

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

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2015, there have been:

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



NEXIA MELBOURNE
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

21 September 2015

Nexia Melbourne

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

Independent member of Nexia International



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

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
Income			
Due Diligence Rebate		111,020	220,345
Interest Income		38,638	63,763
Fair Value Gain On Investment Properties	1 (h)	8,232,734	3,749,586
Rental Income		7,654,775	2,926,691
Foreign Currency Gain		327,984	115,415
Other Income		127,150	-
Total Income		16,492,301	7,075,800
Operating Expenses			
Accounting And Audit Fees		57,895	49,169
Responsible Entity's Fees	17	3,523,236	763,768
Compliance Costs		50,590	116,516
Custodian Fees		27,049	26,873
Insurance		30,025	35,116
Finance Costs		335,788	153,105
Legal & Due Diligence		141,734	588,054
Property Expenses		4,957,710	1,449,520
Other Operating Expenses		82,167	112,078
Total Operating Expenses		9,206,194	3,294,199
Operating Profit Before Income Tax		7,286,107	3,781,601
Income Tax Expense	1(n)	(3,501,882)	(1,165,554)
Operating Profit After Income Tax		3,784,225	2,616,047
Other Comprehensive Income		-	-
Total Comprehensive Income		3,784,225	2,616,047

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	2015 \$	2014 \$
Current Assets			
Cash And Cash			
Equivalents	4	23,544,264	19,691,744
Sundry Debtors	5	41,365	295,005
Other Current Assets	6	995,962	958,757
Total Current Assets		<u>24,581,591</u>	<u>20,945,506</u>
Non - Current Asset			
Investment Properties	7	89,579,010	42,023,448
Equipment At Cost		99,478	10,612
Other Non-Current Assets	6	581,240	-
Total Non - Current Asset		<u>90,259,728</u>	<u>42,034,060</u>
Total Assets		<u>114,841,319</u>	<u>62,979,566</u>
Current Liabilities			
Provisions	8	17,673	22,600
Trade And Other			
Payables	9	4,454,017	1,136,010
Distributions Payable	12	2,645,706	2,062,554
Total Current Liabilities		<u>7,117,396</u>	<u>3,221,164</u>
Non - Current Liabilities			
Borrowings	10	20,748,297	5,465,630
Deferred Tax Liability	1(n)	4,667,186	1,165,304
Total Non – Current Liabilities		<u>25,415,483</u>	<u>6,630,934</u>
Total Liabilities		<u>32,532,879</u>	<u>9,852,098</u>
Net Assets		<u>82,308,440</u>	<u>53,127,468</u>
Net Assets Attributable To Unitholders			
Unitholders' Funds	11	71,015,920	52,968,294
Distributions			
Paid/Payable		(349,536)	631,005
Foreign Currency			
Reserve Account		11,642,056	(471,831)
Total Net Assets Attributable To Unitholders		<u>82,308,440</u>	<u>53,127,468</u>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE YEAR ENDED 30 JUNE 2015**

30 June 2015 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Comprehensive Income For The Year		-	3,784,225	-	3,784,225
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 30 June 2014	-	52,968,294	631,005	(471,831)	53,127,468
Foreign Currency Reserve		-	-	12,113,887	12,113,887
Distributions	12	-	(4,764,766)	-	(4,764,766)
Units Issued – Applications And Reinvestments	11	18,066,078	-	-	18,066,078
Capital Raising Costs	11	(18,452)	-	-	(18,452)
Total Transactions With Unitholders In Their Capacity As Unitholders		18,047,626	(4,764,766)	12,113,887	25,396,747
Balance As At 30 June 2015		71,015,920	(349,536)	11,642,056	82,308,440
30 June 2014 Consolidated Entity	Note	Unitholders' Funds \$	Distributions Paid/Payable \$	Other Reserves \$	Total Equity \$
Total Comprehensive Income For The Year		-	2,616,047	-	2,616,047
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 30 June 2013		27,460,651	1,346,131	881,677	29,688,459
Foreign Currency Reserve		-	-	(1,353,508)	(1,353,508)
Distributions	12	-	(3,331,173)	-	(3,331,173)
Units Issued – Applications And Reinvestments	11	25,566,623	-	-	25,566,623
Capital Raising Costs	11	(58,980)	-	-	(58,980)
Total Transactions With Unitholders In Their Capacity As Unitholders		25,507,643	(3,331,173)	(1,353,508)	20,822,962
Balance As At 30 June 2014		52,968,294	631,005	(471,831)	53,127,468

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

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

**CONSOLIDATED STATEMENT IN OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
Cash Flows From			
Operating Activities			
Receipts From Customers		9,129,263	3,091,497
Payments To Suppliers		(6,698,385)	(2,909,747)
Interest Received		38,638	63,763
Interest Paid		(341,762)	(153,105)
Other Income		127,150	-
Net Cash Provided By			
Operating Activities	14	2,254,904	92,408
Cash Flows From			
Investing Activities			
Deposit On Properties		-	(17,851)
Purchase Of Equipment		(88,866)	(135,090)
Purchase Of Investment			
Properties		(39,322,828)	(32,984,685)
Net Cash Used In Investing			
Activities		(39,411,694)	(33,137,626)
Cash Flows From			
Financing Activities			
Proceeds From Borrowings		14,679,874	4,098,327
Repayment Of			
Short Term Loan		-	5,990
Applications Received			
From Unitholders		15,154,106	25,487,994
Unit Raising Costs		(17,133)	(58,980)
Distributions Paid		(1,270,962)	(1,268,619)
Net Cash Provided By			
Financing Activities		28,545,885	28,264,712
Net Decrease In Cash			
And Cash Equivalents		(8,610,905)	(4,780,506)
Cash At Beginning Of The			
Financial Year		19,691,744	25,828,973
Effect Of Exchange Rate On			
Cash And Cash Equivalents		12,463,425	(1,356,723)
Cash At The End Of The			
Financial Year	4	23,544,264	19,691,744

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 that has been 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 the 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 objectives are to seek to generate passive income and growth returns by acquiring assets in a USA-based REIT structure, in accordance with the objectives disclosed in the PDS dated 18 July 2013 and the SPDS dated 29 January 2015.

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.

All assets and liabilities have been presented in decreasing order of liquidity.

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

(b) Principles Of Consolidation (cont'd)

The consolidated financial report incorporates the assets and liabilities of all entities controlled by the Fund as at 30 June 2015 and the results of all controlled entities for the year ended 30 June 2015.

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.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the parent entity.

(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 and has elected to be treated as a Real Estate Investment Trust (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 acquired 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.

Interest income

Income from cash deposits is recognised at the time of receipt and interest is accrued on term deposits.

Income and expenses

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

(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.

(g) Cash And Cash Equivalents

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

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at balance date.

The distribution amount payable to Unitholders as at year end is recognised separately on the statement of financial position, as Unitholders are presently entitled to the distributable income as at 30 June 2015 under the Fund's constitution.

(h) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Investment properties are stated at fair value. The Fund has an internal Director's valuation process for determining the fair value at each reporting date.

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

Any gain or loss arising from a change in fair value is recognised in the income statement.

Income and expenses from investment property is accounted for as described in accounting policy 1(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

(i) Trade And Other Receivables

Trade receivables are recognised initially at fair value, and subsequently measured at fair value less a provision for impairment. Trade receivables are generally due for settlement within 30 days. A provision for doubtful debt is created for all receivables over 60 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when objective evidence of impairment in relation to collection exists on a case by case basis.

The provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. Cash flows for short term receivables are not discounted if the effect of discounting is immaterial.

(j) Interest Bearing Liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the 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 the balance sheet date. Interest bearing liabilities are derecognised from the balance sheet 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.

(k) Financial Instruments

Classification

The Fund classifies its financial instruments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and Receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

(k) Financial Instruments (cont'd)

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(l) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(m) Unitholder Funds

Units issued by the Fund are redeemable at the option of the unit holder ("puttable") as per the procedure outlined in the PDS dated 18 July 2013 and the SPDS dated 29 January 2015. As the units satisfy all of the criteria for recognition as puttable financial instruments under paras 16A and 16B of AASB 132: Financial Instrument: Presentation, Unitholders' funds are classified as equity. Units are measured at their issue price.

(n) Distributions And Taxation

Under current Australian income tax legislation, the Fund is not liable to pay income tax provided Unitholders are presently entitled to the Fund's distributable income and its taxable income (including assessable realised capital gains) is fully distributed to Unitholders.

The Fund's constitution requires that all taxable income be distributed to Unitholders each financial year. However, due to differences in the way transactions are treated from an accounting and taxation standpoint, these financial accounts may show a balance of undistributed income at year end whereas all income has been distributed for taxation purposes.

The US subsidiary (Ozinus Realty, LLC) has elected to be taxed as a US real estate investment trust (REIT) under US Federal taxation law, and on this basis will generally not be subject to US income taxes on that portion of the its taxable income which are distributed to its shareholders, provided that 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 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. A deferred tax liability is recognised at 35% of the temporary difference between the carrying amount of the assets in the Statement of Financial Position and their associated US tax cost bases.

A current tax liability will be recognised in the financial statements for any realised taxable gain on the disposal of US investments properties.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

(o) Determination Of Application And Redemption Prices

The application and redemption prices are determined by the value of net assets attributable to Unitholders which is the value of assets of the Fund less its liabilities other than liabilities representing rights attaching to units, adjusted for estimated capital gains taxes and transaction costs, divided by the number of units on issue.

(p) Goods And Services Tax (GST)

Management fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO).

Payables are stated inclusive of GST and adjusted for reduced input tax credits where applicable.

The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis.

(q) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies of the Fund are translated into functional currency at the rate of exchange at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year adjusted for any brokerage margin.

Resulting exchange differences arising on settlement or re-statement are recognised as income and expenses for the financial year.

Consolidated Entities

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

(q) Foreign Currencies (cont'd)

Consolidated Entities (cont'd)

- income and expenses in the income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of Unitholders' funds.

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.

(r) New And Amended Accounting Policies Adopted By The Scheme

Fair value measurement

The Scheme has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the Scheme's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the Scheme's financial statements. These enhanced disclosures are provided in Note 7.

(s) New Accounting Standards For Application In Future Periods

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Scheme. The Responsible Entity has decided not to early adopt any of the new and amended pronouncements. The Responsible Entity's assessment of the new and amended pronouncements that are relevant to the Scheme but applicable in future reporting periods is set out below:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

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

- AASB 9: Financial Instruments (December 2010) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Scheme on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Scheme's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: Financial Instruments – Presentation, to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and also clarifying that some gross settlement systems may be considered equivalent to net settlement.

- AASB 15: Revenue from Contracts with Customers and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

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

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. The give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

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

- requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Fund makes certain estimates and assumptions which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk, which could have a material impact on the assets and liabilities in the financial year, are discussed below:

Income Tax

Under current legislation the Fund is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the Unitholders.

In accordance with the Product Disclosure Statement and Constitution, the Fund fully distributes its taxable income to Unitholders. This assumes the continued consistent treatment of this matter by the Australian Taxation Office.

Investment Property

Critical judgements are made by the Responsible Entity in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by the Responsible Entity with reference to external independent property valuations, recent offers and market conditions existing at reporting date. The Fund continues to obtain independent valuations of properties at least once every three years.

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 |
| (e) Credit Risk | (f) Interest Rate Risk |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

The board of directors of the Responsible Entity has the overall responsibility for identifying and managing operational and financial risks. The Fund holds the following financial instruments during the year:

	2015	2014
	\$	\$
Financial assets		
Cash and Cash Equivalents	23,544,264	19,691,744
Sundry Debtors	41,365	295,005
Prepayments	675,147	-
Borrowing Costs	645,822	-
Other Current Assets	256,233	958,757
	<u>25,162,831</u>	<u>20,945,506</u>
Financial liabilities		
(excluding net assets attributable to Unitholders)		
Trade and Other Payables	4,454,017	1,136,010
Distributions Payables	2,645,706	2,062,554
Vendor Loans	5,760,416	5,367,474
Long Term Loans	14,868,171	-
USA REIT Funding	119,710	98,156
	<u>27,848,020</u>	<u>8,664,194</u>

(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 changes in the market price (other than those arising from interest rate risk 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 because of changes in foreign exchange rates.

The Fund, via its controlled US entities, operates internationally and invests in financial instruments that are denominated in currencies other than the Australian dollar, primarily in US Dollars (USD).

Currency risk arises as the value of financial instruments denominated in other currencies will fluctuate due to changes in exchange rates. 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:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(b) Currency Risk (cont'd)

	2015		2014	
	\$		\$	
	\$	% of net assets	\$	% of net assets
Cash Held In USD	16,370,655	19.89%	9,912,163	18.66%

	2015		2014	
	\$		\$	
	Year End	Average	Year End	Average
AUD:USD exchange rates	0.7727	0.8386	0.9424	0.9154

Market Derivatives

Forward exchange contracts are entered into in order to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The Fund may utilise forward exchange contracts to mitigate foreign currency risk for certain anticipated transactions undertaken in foreign currencies. At balance date there were no outstanding forward exchange contracts.

Sensitivity

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

	2015		2014	
	\$		\$	
	+10%	-10%	+10%	-10%
Impact on profit before finance costs allocated to Unitholders	(338,669)	413,962	(775,899)	948,321
Impact on net assets attributable to Unitholders	(5,371,371)	6,565,524	(3,874,857)	3,398,368

(c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Given the Fund invests, albeit indirectly, in real estate, which by its nature is an illiquid asset, there is no guarantee that the Responsible Entity will be able to honour in full every redemption request made pursuant to the PDS dated 18 July 2013 and SPDS dated 29 January 2015.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

There is also a risk that, when a redemption offer is made, the Fund will be unable to meet redemption requests in a timely manner or that redemption requests are scaled back. In the event the Fund is wound up and required to dispose assets to pay redemptions, there is a risk that the Fund may not be able to realise sufficient assets in a timely manner or at an optimal sale price. This may affect the Responsible Entity's ability to return capital to Unitholders and may reduce the Fund's NTA per Unit.

The Responsible Entity manages this risk by ensuring there are sufficient liquid assets to meet operating debt obligations. For instance, the Responsible Entity will permit borrowings of up to 40% of a property's value and wherever possible pay interest expense from rental income received from that property. The liquidity risk associated with redemptions is managed by its redemption policy as disclosed in the PDS dated 18 July 2013 and SPDS dated 29 January 2015.

Maturity Analysis

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

30 June 2015	< 6 Months \$'000	> 5 years \$'000	Carrying amount \$'000
Cash And Cash Equivalents	23,544	-	23,544
Financial assets held at fair value through profit and loss			
Receivables	41	-	41
Other Financial Assets	1,578	-	1,578
	25,163	-	25,163
Financial liabilities held at fair value through profit and loss			
Trade & Other Payables	(4,454)	-	(4,454)
Distributions Payable	(2,646)		(2,646)
Other Financial Liabilities	-	(20,748)	(20,748)
	(7,100)	(20,748)	(27,848)
Net maturities	18,063	(20,748)	(2,685)

30 June 2014	< 6 Months \$'000	> 5 years \$'000	Carrying amount \$'000
Cash And Cash Equivalents	19,692	-	19,692
Financial assets held at fair value through profit and loss			
Receivables	295	-	295
Other Financial Assets	959	-	959
	20,946	-	20,946

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis (cont'd)

30 June 2014	< 6 Months \$'000	> 5 years \$'000	Carrying amount \$'000
Financial liabilities held at fair value through profit and loss			
Trade & Other Payables	(1,136)	-	(1,136)
Distributions Payable	(2,063)		(2,063)
Other Financial Liabilities	-	(5,465)	(5,465)
	(3,199)	(5,465)	(8,664)
Net maturities	17,747	(5,465)	12,282

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 dated 18 July 2013 and SPDS dated 29 January 2015. As the units satisfy all of the relevant criteria for recognition as puttable financial instruments under AASB 132, Unitholders' funds are classified as equity (rather than financial liabilities). Consequently, the foregoing liquidity risk disclosures do not include contractual or expected cash flow information in respect of the units.

The intention not to redeem units until after September 2015 significantly limits the liquidity risk to which the Fund is presently exposed through its units. Accordingly, the foregoing liquidity risk disclosures are representative of the Fund's overall exposure to liquidity risk.

(d) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to meet the contracted obligation. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of on-balance sheet financial assets and liabilities as they are marked to market. The total credit risk for on-balance sheet 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 asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair value of listed equity securities is determined at the quoted closing bid price at the balance date.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

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

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value of derivatives is determined at quoted prices from financial institutions at the balance date.

Level 3: Inputs for the asset or liabilities that are not based on observable market data. Unlisted equity securities have significant unobservable inputs. Their fair value is established by using valuation techniques.

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties to an arm's length transaction. Due to the short term nature of settlement, the carrying amounts of trade and other receivables, trade and other payables, and distributions payable are approximate fair values as presented in the Consolidated Statement of Financial Position.

(f) Interest Rate Risk

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

30 June 2015	Interest Bearing \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	Weighted Average Effective Interest Rate	Fixed / Variable Rate
Financial Assets					
Cash and Cash Equivalents	23,544	-	23,544	3.32%	Variable
Sundry Debtors	-	41	41		
Other Financial Assets	-	1,578	1,578		
Total Financial Assets	23,544	1,619	25,163		
Financial Liabilities					
Trade Creditors & Payables	-	(4,426)	(4,426)		
Distribution Payable	(2,646)		(2,646)		
USA REIT Funding	(120)		(120)		
Borrowings	(20,656)	-	(20,656)	4.9%	Fixed
Total Financial Liabilities	(23,422)	(4,426)	(27,848)		
Net Financial Assets	122	(2,807)	(2,685)		

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

30 June 2014	Interest Bearing \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	Weighted Average Effective Interest Rate	Fixed / Variable Rate
Financial Assets					
Cash and Cash Equivalents	19,692	-	19,692	0.8%	Variable
Sundry Debtors	-	295	295		
Other Financial Assets	-	959	959		
Total Financial Assets	19,692	1,254	20,946		
Financial Liabilities					
Trade Creditors & Payables	-	(1,136)	(1,136)		
Distribution Payable	(2,063)		(2,063)		
USA REIT Funding	(98)		(98)		
Borrowings	(5,367)	-	(5,367)	4.5%	Fixed
Total Financial Liabilities	(7,528)	(1,136)	(8,664)		
Net Financial Assets	12,164	118	12,282		

Sensitivity

If interest rates were to increase 100 basis points, or decrease 100 basis points (as this would mean the effective interest rate is zero), from variable rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and net assets attributable to Unitholders is as follows:

	2015 \$		2014 \$	
	+10%	-10%	+10%	-10%
Impact on profit before finance costs allocated to Unitholders	235,443	(235,443)	196,917	(196,917)
Impact on net assets attributable to Unitholders	-	-	-	-

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
NOTE 4: CASH AND CASH EQUIVALENTS			
Cash in bank Australian accounts AUD		7,173,609	9,779,580
Cash in bank Australian accounts USD	1 (q)	3,724,050	8,534,891
Cash in bank US accounts USD	1 (q)	12,646,605	1,377,273
		<u>23,544,264</u>	<u>19,691,744</u>
NOTE 5: SUNDRY DEBTORS			
Rental Income Owing		-	265,428
GST Refund		37,141	29,577
Interest on Applications		4,224	-
		<u>41,365</u>	<u>295,005</u>
NOTE 6: OTHER CURRENT ASSETS			
Escrow Deposits		147,377	137,800
SSS Clearing Account		93,073	434,959
Security Deposits		10,341	2,722
Prepaid Insurance		653,578	203,276
Prepaid Expenses		21,569	-
Borrowings		64,582	-
Other Current Assets		5,442	-
Provision for Units on Issue		-	180,000
		<u>995,962</u>	<u>958,757</u>

Borrowing costs totalling \$645,822 relating to the USD 11.51m refinance (US \$) are being amortised over 10 years. The current portion of \$64,582 is included in current assets. The non-current portion of \$581,240 is included in non-current assets as other non-current assets.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015		2014	
	Fair Value		Fair Value	
	USD	AUD	USD	AUD
NOTE 7: INVESTMENT PROPERTIES				
Texas Properties				
8344 RL Thornton Fwy, Dallas	3,079,642	3,985,560	3,079,366	3,267,669
1671 Riverview Dve, Lewisville	3,900,000	5,047,237	3,600,000	3,820,139
401 Powerhouse, McKinney	4,150,000	5,370,778	4,125,000	4,377,243
1205 Texas Parkway, Euless	4,200,000	5,435,486	-	-
Total Texas Property	15,329,642	19,839,061	10,804,366	11,465,051
Georgia Properties				
6620 Tara Blvd, Jonesboro	3,933,941	5,091,162	3,850,000	4,085,427
6205 & 6215 Shiloh Crossing, Alpharetta	6,500,000	8,412,061	-	-
1461 HWY 20 W, McDonough	3,750,000	4,853,113	-	-
2081 Jonesboro Rd, McDonough	3,607,563	4,668,776	-	-
270 Scientific Drive, Norcross	4,200,000	5,435,486	-	-
Total Georgia Property	21,991,504	28,460,598	3,850,000	4,085,427
Florida Properties				
3350 Hanson St, Fort Myers	1,100,000	1,423,578	875,000	928,507
13584 49th St Nth, Clearwater	3,520,000	4,555,455	3,190,000	3,385,068
4700 110th Ave Nth, Pinellas Park	1,360,425	1,760,612	1,360,000	1,443,164
2853 Work Dve, Fort Myers	2,650,000	3,429,533	2,254,914	2,392,802
2148 Fowler St, Fort Myers	1,310,035	1,695,399	1,265,500	1,342,354
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud	2,100,000	2,717,743	1,760,000	1,867,624
1904 Oak Grove Blvd, Lutz	2,950,000	3,817,782	2,534,000	2,688,954
5250 Giron Circle, Kissimmee	1,680,000	2,174,195	1,366,025	1,449,557
720 S. Dixie Fwy, New Smyrna Beach	2,400,000	3,105,991	1,700,000	1,803,955
2634 N. Orange Blossom Trail, Kissimmee	2,180,000	2,821,275	1,959,000	2,078,792
5961 Northland Rd, Fort Myers	750,000	970,624	480,000	509,352
16151 Pine Ridge Rd, Fort Myers	780,000	1,009,447	753,500	799,575
830 NE 24th Lane, Cape Coral	1,200,000	1,552,996	900,000	955,035
12050 49th St Nth, Clearwater	4,530,000	5,862,560	3,900,000	4,138,484
2621 NE 9th Ave, Cape Coral	700,000	905,914	650,000	689,747
1221 SE 9th Ter, Cape Coral	708,210	916,539	-	-
1013 SE 12th Avenue, Cape Coral	727,885	942,005	-	-
18538 US Hwy 19, Clearwater	550,000	711,789	-	-
932 NE 24th Lane, Cape Coral	700,000	905,914	-	-
Total Florida Property	31,896,555	41,279,351	24,947,939	26,472,970
Total Property	69,217,701	89,579,010	39,602,305	42,023,448

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
NOTE 8: PROVISIONS		
Provision for Audit Fees	17,673	22,600

**NOTE 9: TRADE AND OTHER
PAYABLES**

Trade Creditors	2,641,961	694,899
Accrued Property Taxes	554,851	277,317
Prepaid Rental	595,566	163,794
Security Deposits Held	603,091	-
Borrowings Due Within 12 Mths	27,649	-
Other Current Liabilities	30,899	-
	<u>4,454,017</u>	<u>1,136,010</u>

NOTE 10: BORROWINGS

Vendor Loans Payable	5,760,416	5,367,474
USA REIT Funding	119,710	98,156
Long Term Loans (excluding borrowings due within the next 12 months)	14,868,171	-
	<u>20,748,297</u>	<u>5,465,630</u>

Specifics of the finance terms for
each loan are as follows:

	2015		2014	
	Loan AUD	Loan USD	Loan AUD	Loan USD
<i>13584 49th St Nth, Clearwater, FL</i> 3.5% pa interest, interest-only repayments until April 2018, then 5.0% pa interest, interest-only repayments until April 2023	1,501,230	1,160,000	1,230,934	1,160,000
<i>2853 Work Dve, Fort Myers, FL</i> 4% pa interest, principal and interest repayments amortised over 5 years with a balloon payment due September 2018	-	-	620,856	585,079
<i>1671 Riverview Drive, Lewisville, TX</i> 4.0% pa interest, interest-only repayments until December 2018	1,863,595	1,440,000	1,528,056	1,440,000

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 10: BORROWINGS (cont'd)

	2015		2014	
	Loan AUD	Loan USD	Loan AUD	Loan USD
Specifics of the finance terms for each loan are as follows:				
<i>401 Powerhouse, McKinney, TX</i> 6.0% pa interest, principal and interest repayments amortised over 5 years with a balloon payment due February 2019	993,236	767,473	837,766	789,489
<i>830 NE 24th Lane, Cape Coral, FL</i> 4.25% pa interest, interest-only repayments until April 2019	388,249	300,000	318,345	300,000
<i>2634 N. Orange Blossom Trail, Kissimmee, FL</i> 5.00% pa interest, interest-only repayments until March 2019	1,014,106	783,600	831,517	783,600
<i>Long Term Borrowings (Refinance)</i> Covering 7 properties: 2081 Jonesboro Rd, McDonough, GA 6205 & 6215 Shiloh Crossing, Alpharetta, GA 1205 Texas Parkway, Euless, TX 2853 Work Dve, Fort Myers, FL 1904 Oak Grove Blvd, Lutz, FL 12050 49th St Nth, Clearwater, FL 1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud, FL 5.145% pa interest, interest-only repayments until June 2025	14,895,820	11,510,000	-	-
<i>USA REIT Funding</i> An effective rate of interest of 16.89% has been determined on the basis of actual payments in the past year. No maturity.	119,710	92,500	98,156	92,500
	<u>20,775,946</u>	<u>16,053,573</u>	<u>5,465,630</u>	<u>5,150,668</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	\$	\$
NOTE 11: UNITHOLDERS' FUNDS		
Opening Balance	52,968,294	27,460,651
Applications	15,155,426	24,731,346
Distributions Reinvested	2,910,652	835,277
	<u>18,066,078</u>	<u>25,566,623</u>
Net Applications and Reinvestments	18,066,078	25,566,623
Capital Raising Costs	(18,452)	(58,980)
	<u>18,047,626</u>	<u>25,507,643</u>
Closing Balance	<u>71,015,920</u>	<u>52,968,294</u>

Under the Fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

When managing capital, management's objective is to ensure the Fund continues to provide Unitholders with returns in accordance with the PDS dated 18 July 2013 and the SPDS dated 29 January 2015.

The Fund's redemption policies are disclosed in Note 3(c), and in the PDS dated 18 July 2013 and the SPDS dated 29 January 2015.

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

	Note	2015	2014
		\$	\$
NOTE 12: DISTRIBUTIONS			
Interim	1 (n)	2,119,060	1,266,428
Final	1 (n)	2,645,706	2,064,745
		<u>4,764,766</u>	<u>3,331,173</u>

**NOTE 13: AUDITORS
REMUNERATION**

Amounts paid and payable to Nexia Melbourne and Clifton Larsen Allen LLP for audit and assurance services, including auditing the compliance plan

40,500	22,600
--------	--------

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	\$	\$
NOTE 14: CASH FLOW INFORMATION		
Reconciliation of net cash provided by operating activities to net operating profit		
Net Operating Profit	3,784,225	2,616,047
Add/(Less) Non-Cash Items:		
Foreign Currency Gain	(327,984)	(115,415)
Unrealised Revaluation Gains	(8,232,734)	(3,749,586)
Decrease In Sundry Debtors	253,640	(219,333)
Increase In Other Current Assets	(37,205)	(640,957)
Increase In Trade Creditors		
And Other Payables	3,318,007	1,025,748
Increase In Deferred Tax Liability	3,501,882	1,165,304
Decrease In Provisions	(4,927)	10,600
Net cash provided by operating activities	2,254,904	92,408

NOTE 15: PARENT ENTITY INFORMATION

(a) Parent Entity

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

(b) Financial Information

Passive Income (USA Commercial Property) Fund

Income statement information

Net profit (loss) attributable to Unitholders of the parent entity	(2,332,057)	(770,770)
--	-------------	-----------

Comprehensive income information

Total comprehensive income attributable to Unitholders of the parent entity	(2,332,057)	(770,770)
---	-------------	-----------

Statement of Financial Position Information

Current Assets	10,944,997	18,344,049
Non-Current Assets	55,340,185	34,088,534
Current Liabilities	(5,121,032)	(2,219,235)
Non-Current Liabilities	(4,667,186)	(1,165,304)
Net Assets	56,496,964	49,048,044
Net assets attributable to Unitholders of the parent entity		
Unitholders Funds	71,203,653	53,138,895
Undistributed Profits	(14,518,955)	(3,920,250)
Set up costs	(187,734)	(170,601)
Total Equity	56,496,964	49,048,044

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 16: CONTROLLED ENTITIES

	<u>Country of Incorporation</u>	<u>% Owned</u>
Subsidiaries controlled by the Fund during the reporting year were:		
Ozinus Realty, LLC <i>(acquired 30 November 2012)</i>	USA	100%
Ozinus Hanson, LLC <i>(acquired 13 March 2013)</i>	USA	100%
Ozinus Pinellas Park, LLC <i>(acquired 12 April 2013)</i>	USA	100%
Ozinus Breckinridge, LLC <i>(acquired 16 April 2013)</i>	USA	100%
Ozinus Thornton, LLC <i>(acquired 9 August 2013)</i>	USA	100%
Ozinus Palmetto Grove, LLC <i>(acquired 15 August 2013)</i>	USA	100%
Ozinus Rams Plaza, LLC <i>(acquired 9 September 2013)</i>	USA	100%
Ozinus Hamlin, LLC <i>(acquired 8 October 2013)</i>	USA	100%
Ozinus Eagle Plaza, LLC <i>(acquired 3 December 2013)</i>	USA	100%
Ozinus Giron, LLC <i>(acquired 13 December 2013)</i>	USA	100%
Ozinus Riverview Drive, LLC <i>(acquired 26 December 2013)</i>	USA	100%
Ozinus Powerhouse, LLC <i>(acquired 6 February 2014)</i>	USA	100%
Ozinus NSB, LLC <i>(acquired 14 February 2014)</i>	USA	100%
Ozinus Orange Blossom, LLC <i>(acquired 7 March 2014)</i>	USA	100%
Ozinus Northland, LLC <i>(acquired 4 April 2014)</i>	USA	100%
Ozinus Pine Ridge, LLC <i>(acquired 15 April 2014)</i>	USA	100%
Ozinus Cape Coral 830CC, LLC <i>(acquired 30 April 2014)</i>	USA	100%
Ozinus Shops of Tara, LLC <i>(acquired 1 May 2014)</i>	USA	100%
Ozinus Pitney, LLC <i>(acquired 23 June 2014)</i>	USA	100%
Ozinus NE 9th CC, LLC <i>(acquired 27 June 2014)</i>	USA	100%
Ozinus SE 9-CC, LLC <i>(acquired 11 July 2014)</i>	USA	100%

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 16: CONTROLLED ENTITIES (cont'd)

	<u>Country of Incorporation</u>	<u>% Owned</u>
Subsidiaries controlled by the Fund during the reporting year were:		
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 Sept 2014)</i>	USA	100%
Ozinus 932NE24-CC, LLC <i>(acquired 30 Sept 2014)</i>	USA	100%
Ozinus US 19N, LLC <i>(acquired 29 September 2014)</i>	USA	100%
Ozinus McDonough, LLC <i>(acquired 30 December 2014)</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%

**NOTE 17: 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 17: RELATED PARTY
TRANSACTIONS (cont'd)**

Key Management Personnel (cont'd)

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 \$21,124 for providing compliance services.

	2015	2014
	\$	\$
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 year:		
Management Fees	1,399,160	763,768
Performance Fees	2,124,076	-
Total Fees To The Responsible Entity	3,523,236	763,768
Other Expense Reimbursements	120,655	406,045
Total Fees & Reimbursements	3,643,891	1,169,813

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

Fees paid to the Responsible Entity are pursuant to the disclosures made in the PDS dated 18 July 2013 and the SPDS dated 29 January 2015. Expense reimbursements relate to costs incurred by the Responsible Entity on behalf of the Fund, which are charged back to the Fund at cost.

Performance fees are payable to the Responsible Entity where certain performance criteria is met.

Related Party Investments Held By the Fund

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 17: RELATED PARTY
TRANSACTIONS (cont'd)**

Units In The Fund Held By Related Parties

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

	Units held at 30 June 2015 #	Units held at 30 June 2015 Value in AUD
Stephen McKnight (Director) & associated parties	1,518,842	2,016,567
Plantation Capital Limited	304,583	404,395
Davendra Prasad (CFO)	65,858	87,440
	Units held at 30 June 2014 #	Units held at 30 June 2014 Value in AUD
Stephen McKnight (Director) & associated parties	967,082	1,016,983
Plantation Capital Limited	-	-
Davendra Prasad (CFO)	17,589	18,497

Other than this, during, or since the end of the financial year, none of the directors, or director related entities held units in the Fund, directly, indirectly or beneficially, except as noted above.

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

NOTE 18: SUBSEQUENT EVENTS

The following significant events occurred subsequent to 30 June 2015:

Properties Acquired

The following properties were acquired or had gone unconditional pending acquisition:

Address	Acquisition Date	USD	AUD (Spot rate at acquisition)
358-372 McDonough Parkway McDonough, GA	24 July 2015	700,000	949,410
5636 Youngquist Road Fort Myers, FL	15 July 2015	450,000	604,108
5760 Youngquist Road Fort Myers, FL	15 July 2015	650,000	872,600

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 18: SUBSEQUENT EVENTS (cont'd)

Properties Acquired (cont'd)

Address	Acquisition Date	USD	AUD (Spot rate at acquisition)
3419 - 3437 Westview Drive Naples, FL	31 Aug 2015	1,320,000	1,842,289

Fall In The Value Of The AUD:USD

For the period 1 July 2015 to the time when these accounts were issued, the AUD depreciated significantly in value against the USD, providing the Fund with unrealised foreign exchange gains of \$6,184,567. This gain was arrived at using the movement in AUD:USD exchange rate at 21 September 2015 of 0.7202 (30 June 2015: 0.7727).

Fund Subscription Cap Reached

On 31 July 2015 the Fund's subscription cap of \$75m was reached. An oversubscription of \$293,000 was returned to the unsuccessful unit applicants as a result of the cap being reached.

First Redemption Offer

The Fund expects to open its first redemption offer during the month of October 2015. Redemption requests may be scaled back if the total redemption amount exceeds the amount available for redemption as determined by the directors.

NOTE 19: COMMITMENTS AND CONTINGENCIES

The Fund has one property under contract to purchase a commercial property in Atlanta, Georgia for \$930,000. As the contract is not yet unconditional it would be prejudicial to provide any further information.

The contract to purchase 2192 East View Parkway, Conyers, Georgia for \$1,900,000 had gone unconditional but a closing date has yet to be determined as at the date these financial statements were issued.

NOTE 20: RESPONSIBLE ENTITY DETAILS

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

Registered Office
893A Canterbury Rd
BOX HILL VIC 3128
AUSTRALIA

Postal Address
PO Box 2193
BLACKBURN SOUTH VIC 3130
AUSTRALIA

Other Details
Phone: 03 8892 3800
Fax: 03 8892 3811
www.passiveincomefund.com
admin@passiveincomefund.com

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

DIRECTOR'S OF RESPONSIBLE ENTITY DECLARATION

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 9 to 39, 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 30 June 2015 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.



Stephen McKnight
Director
Melbourne: 21 September 2015

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

Report on the Financial Report

We have audited the accompanying financial report of Passive Income (USA Commercial Property) Fund (the "Scheme"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Plantation Capital Limited (the "Responsible Entity") 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if provided to the directors as at the date of this auditor's report.

Nexia Melbourne

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

Independent member of Nexia International



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

Auditor's Opinion

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 Scheme's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



NEXIA MELBOURNE
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

21 September 2015