PASSIVE INCOME
(USA COMMERCIAL PROPERTY) FUND
AND CONTROLLED ENTITIES

ARSN 155 770 095

FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2015

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DIRECTORS' REPORT

The Directors of Plantation Capital Ltd - the Responsible Entity of the Passive Income (USA Commercial Property) Fund (the Fund), a Managed Investment Scheme, present their report together with the financial statements of the Fund for the six months ended 31 December 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 16 November 2015. The Fund, via its controlled subsidiaries, has primarily invested in USA based commercial properties.

The Fund did not have any employees during the period, however Sunizo, LLC – a wholly owned subsidiary of the US REIT, which is controlled by the Fund and manages the property portfolio, had eight employees.

Directors

The Directors of the Responsible Entity during the period 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 single and multi-family properties in 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.

DIRECTORS' REPORT (cont'd)

Paul Harper – Director
Chartered Accountant, Master of Entrepreneurship and Innovation, Bachelor of Business (Accounting)

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

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

In November 2015 the Australian Taxation Office approved the Fund's request to change its financial year end from 30 June to 31 December. This change allows the Australian and US operations to have the same year end and is expected to ease administrative complexities and achieve business efficiencies. As a result of this change this financial report is for the six months ended 31 December 2015, whereas the comparative period is for the 12 months ended 30 June 2015.

Pursuant to the PDS dated 18 July 2013 and the SPDS dated 16 November 2015, a total of $6,707,393 of application money was received during the financial period, after deducting contribution fees. This resulted in the issue of 4,773,689 units. Under the distribution reinvestment plan a total of $1,888,225 was reinvested during the period, resulting in an issue of 1,421,815 units. An opportunity to redeem was offered to the unitholders for the first time in October 2015 and resulted in a redemption of $3,317,620, being 2,573,991 units. The Fund opened to new applications following the redemption offer and was fully subscribed again in January 2016, at which point it closed to new and top up applications.

DIRECTORS' REPORT (cont'd)

Between 1 July 2015 and 31 December 2015, the Fund, via its controlled entities, acquired six properties – three in Florida and three in Georgia – for a total purchase cost of $17,110,330.

The Fund's consolidated net operating profit before distributions attributable to Unitholders for the six months ended 31 December 2015 was $2,384,186 (1 July 2015 to 30 June 2015: Profit $3,784,225).

The parent entity alone (without consolidating US operations) recorded a net operating loss for the period before distributions attributable to Unitholders of $396,275 (1 July 2014 to 30 June 2015: Loss $2,332,057). The loss was a result of only one dividend being received from Ozinus Realty, LLC for the financial period. It is expected that more regular dividends will be paid by Ozinus Realty, LLC to the parent entity in the future.

The management fee expense increased due to increased funds under management. A performance fee was incurred during the period as the Fund's total return exceeded the pro rata performance hurdle of 6%.

	Six Months Ended 31 December 2015		Twelve Months Ended 30 June 2015	
	$	**Cents / unit**	**$**	**Cents / unit**
Interim Distribution Paid	-	-	2,119,060	4
Final Distribution Payable	2,790,562	4*	2,645,706	4
Total Distribution	2,790,562	4*	4,764,766	8

*Gross of US withholding tax

The ex-distribution unit price as at 31 December 2015 was $1.3908 (30 June 2015: $1.3277). The basis for valuation of the Fund's properties is disclosed in Note 1(h) 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 16 November 2015, and in the Fund's Constitution.

Fund Performance (Net Of Fees)

	Six Months Ended 31 December 2015	Twelve Months Ended 30 June 2015
Capital growth (cents per unit)	6.31	27.61
Cash Distribution (cents per unit)	4.00*	8.00
Total Return (cents per unit)	**10.31***	**35.61**

*Gross of US withholding tax

For the six months ended 31 December 2015, Ozinus Realty, LLC – a US subsidiary, paid $2,202,784 in dividends to the Fund (2015: $930,414). As mentioned earlier, more regular dividends are expected to be received from Ozinus Realty in the future.

DIRECTORS' REPORT (cont'd)

Units on Issue

	Number As At 31 December 2015	Number As At 30 June 2015
Opening Balance	66,142,526	51,618,696
New units issued during the period under the capital raising	4,773,689	11,930,693
New units issued under the distribution reinvestment plan	1,421,815	2,593,137
Units redeemed under the redemption offer	(2,573,991)	-
Number of units on issue at period end	**69,764,039**	**66,142,526**

Fees Paid To and Interests Held By the Responsible Entity

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

	Six Months Ended 31 December 2015 $	Twelve Months Ended 30 June 2015 $
Management fees	1,129,746	1,399,160
Performance fees	900,002	2,124,076
Total fees to the Responsible Entity	2,029,748	3,523,236
Other Expense reimbursements	16,697	120,655
Total Fees & Reimbursements	2,046,445	3,643,891

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 16 November 2015. The higher management fees for the six months to 31 December 2015 reflects the increase in funds under management during the period.

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 period, performance of the Fund exceeded the target hurdle (including any shortfall from prior period(s) – if any) and therefore the Responsible Entity was entitled to a performance fee.

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 31 December 2015	$ Value Units Held At 31 December 2015
Stephen McKnight *(Director)* & Associated Parties	1,748,261	2,431,481
Plantation Capital Limited	482,938	671,670
Davendra Prasad *(CFO)*	71,909	100,011

	# Of Units Held At 30 June 2015	$ Value Units Held At 30 June 2015
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

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 2015, the Fund held cash in Australian Dollars (AUD) and United States Dollars (USD).

Likely Developments and Expected Results of Operations

The Fund expects to continue to operate in accordance with its investment policy as detailed in the PDS issued 18 July 2013 and the SPDS dated 16 November 2015.

Significant Changes in State of Affairs

In November the Fund changed its financial year end from 30 June to 31 December. This is expected to ease administrative complexities and achieve business efficiencies.

The Fund successfully completed its first redemption offer during October 2015. Redemption requests were honoured in full as the amount requested to be redeemed was lower than the amount made available for redemptions as determined by the Directors.

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

Subsequent Events

Appreciation In Value Of The AUD Against The USD

Between 1 January 2016 and the date these accounts were issued the AUD appreciated against the USD from $0.7299 to $0.7633 resulting in estimated unrealised foreign exchange loss of $4,297,741.

Fund Subscription Cap Reached

On 14 January 2016 the Fund's subscription cap of $75m was reached. The fund was opened to subscription following the completion of the first redemption offer in October 2015.

Resolution Of Shortfall In June 2015 Performance Fee

A review of the performance fee calculation revealed that the maximum performance fee payable to the Responsible Entity for the year ended 30 June 2015 was understated by $3.7m gross. The Responsible Entity has permanently waived its right to this underpayment provided the Australian Taxation Office issues a private ruling in favour of the Responsible Entity confirming the amount waived will not be treated as assessable income.

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, 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 Insurance policy was renewed on 3 February 2016.

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 23 March 2016.

Steve McKnight

Stephen McKnight
Chairman

MOORE STEPHENS

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

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

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

23 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	Six Months To 31 December 2015 $	Twelve Months To 30 June 2015 $
Income			
Due Diligence Rebate		102,352	111,020
Interest Income		13,773	38,638
Fair Value Gain On Investment Properties	1 (h)	2,757,345	8,232,734
Rental Income		5,757,537	7,654,775
Foreign Currency Gain		336,083	327,984
Other Income		358,840	127,150
Total Income		9,325,930	16,492,301
Operating Expenses			
Accounting And Audit Fees		49,179	57,895
Responsible Entity's Fees	17	2,029,748	3,523,236
Compliance Costs		23,289	50,590
Custodian Fees		15,584	27,049
Insurance		-	30,025
Finance Costs		596,499	335,788
Legal & Due Diligence		144,221	141,734
Property Expenses		3,279,375	4,957,710
Other Operating Expenses		46,379	82,167
Total Operating Expenses		6,184,274	9,206,194
Operating Profit Before Income Tax		3,141,656	7,286,107
Income Tax Expense	1(n)	(757,470)	(3,501,882)
Operating Profit After Income Tax		**2,384,186**	**3,784,225**
Other Comprehensive Income		-	-
Total Comprehensive Income		**2,384,186**	**3,784,225**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 December 2015 $	30 June 2015 $
Current Assets			
Cash And Cash Equivalents	4	12,813,059	23,544,264
Sundry Debtors	5	42,181	41,365
Other Current Assets	6	608,862	995,962
Total Current Assets		13,464,102	24,581,591
Non - Current Asset			
Investment Properties	7	115,581,375	89,579,010
Equipment		108,076	99,478
Other Non-Current Assets	6	716,143	581,240
Total Non - Current Asset		116,405,594	90,259,728
Total Assets		129,869,696	114,841,319
Current Liabilities			
Provisions	8	51,719	17,673
Trade And Other Payables	9	2,881,233	4,426,368
Distributions Payable	12	2,458,652	2,645,706
Borrowings	10	23,835	27,649
Other Current Liabilities		538,343	-
Total Current Liabilities		5,953,782	7,117,396
Non - Current Liabilities			
Borrowings	10	26,886,791	20,748,297
Deferred Tax Liability	1(n)	5,424,656	4,667,186
Total Non – Current Liabilities		32,311,447	25,415,483
Total Liabilities		38,265,229	32,532,879
Net Assets		**91,604,467**	**82,308,440**
Net Assets Attributable To Unitholders			
Unitholders' Funds	11	76,283,188	71,015,920
Distributions Paid/Payable		(1,087,822)	(349,536)
Foreign Currency Reserve Account		16,409,101	11,642,056
Total Net Assets Attributable To Unitholders		**91,604,467**	**82,308,440**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

31 December 2015 Consolidated Entity	Note	Unitholders' Funds $	Distributions Paid/Payable $	Other Reserves $	Total Equity $
Total Comprehensive Income For The Year		-	2,384,186	-	2,384,186
Transactions With Unitholders In Their Capacity As Unitholders:					
Balance At 30 June 2015		71,015,920	(349,536)	11,642,056	82,308,440
Foreign Currency Reserve		-	-	4,767,045	4,767,045
Distributions		-	(3,122,472)	-	(3,122,472)
Units Issued – Applications And Reinvestments	11	8,595,618	-	-	8,595,618
Units Redeemed	11	(3,317,620)	-	-	(3,317,620)
Capital Raising Costs	11	(10,730)	-	-	(10,730)
Total Transactions With Unitholders In Their Capacity As Unitholders		5,267,268	(3,122,472)	4,767,045	6,911,841
Balance As At 31 December 2015		**76,283,188**	**(1,087,822)**	**16,409,101**	**91,604,467**

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		-	(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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	Six Months To 31 December 2015 $	Twelve Months To 30 June 2015 $
Cash Flows From Operating Activities			
Receipts From Customers		6,143,821	9,129,263
Payments To Suppliers		(3,326,044)	(6,020,600)
Management Fee		(1,126,536)	(677,785)
Performance Fee		(2,142,555)	-
Interest Received		13,773	38,638
Interest Paid		(561,885)	(341,762)
Other Income		129,282	127,150
Net Cash Provided By Operating Activities	14	(870,144)	2,254,904
Cash Flows From Investing Activities			
Purchase Of Equipment		-	(88,866)
Purchase Of Investment Properties		(17,110,330)	(39,322,828)
Net Cash Used In Investing Activities		(17,110,330)	(39,411,694)
Cash Flows From Financing Activities			
Proceeds From Borrowings		5,999,777	14,679,874
Applications Received From Unitholders		6,707,393	15,154,106
Redemptions Paid To Unitholders		(3,317,620)	-
Distributions Paid		(1,089,391)	(1,270,962)
Unit Raising Costs		(10,730)	(17,133)
Net Cash Provided By Financing Activities		8,289,429	28,545,885
Net Decrease In Cash And Cash Equivalents		(9,691,045)	(8,610,905)
Cash At Beginning Of The Financial Year		23,544,264	19,691,744
Effect Of Exchange Rate On Cash And Cash Equivalents		(1,040,160)	12,463,425
Cash At The End Of The Financial Year	4	**12,813,059**	**23,544,264**

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

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 16 November 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.

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.

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 31 December 2015 and the results of all controlled entities for the six months ended 31 December 2015 (prior period 12 months 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 (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.

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. The distribution amount payable to Unitholders as at period end is recognised separately on the statement of financial position, as Unitholders are presently entitled to the distributable income as at 31 December 2015 under the Fund's constitution.

(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 with deposit taking 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.

(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. The Fund has an internal Director's valuation process for determining the fair value at each reporting date.

An external, independent appraiser, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties every six months, or sooner 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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.

Unless the Director's 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, not including estimated transaction costs. 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).

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 and 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 Statement of Financial Position 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.

(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.

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 (Liabilities)

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 when 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 16 November 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 period end whereas all income has been distributed for taxation purposes.

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 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.

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 tangible assets attributable to Unitholders which is the value of assets of the Fund less its liabilities other than liabilities representing rights attaching to units, (redemption price reached after also adjusting 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 net of GST, adjusted for reduced input tax credits, where applicable.

The net amount of GST recoverable from, or payable to, the ATO is included 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 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.

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 for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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 called the 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.

(r) 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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

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

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

Reference	Title	Applicable for reporting periods beginning on or after
AASB 9	Financial Instruments	1 January 2018
AASB 14	Regulatory Deferral Accounts	1 January 2016
AASB 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
AASB 1056	Superannuation Entities	1 July 2016
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	1 January 2016
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	1 January 2016
AASB 2014-6	Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]	1 January 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	1 January 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127 & AASB 128]	1 July 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128]	1 January 2016
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	1 July 2016
AASB 2015-7	Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]	1 July 2016

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

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

AASB 9 Financial Instruments

AASB 9 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
- requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

AASB 15 Revenue from Contracts with Customers

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.

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.

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

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

IFRS 16 Leases

Under IFRS 16 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 their 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 IFRS 16 is adopted.

(s) Comparative Period

As a result of a change of financial year end from 30 June to 31 December, current financial report is based on six months since 30 June 2015 whereas the comparative period is 12 months.

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 period, 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 fair values of investment properties. Fair values are reviewed every six months by the Responsible Entity with reference to the property's purchase price, capital expenditure during the period and the external independent property appraiser's report of estimated fair value, excluding any 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
(e) Credit Risk	(f) Interest Rate Risk

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 period:

	Six Months To 31 December 2015 $	Twelve Months To 30 June 2015 $
Financial assets		
Cash and Cash Equivalents	12,813,059	23,544,264
Sundry Debtors	42,181	41,365
Prepayments	480,578	675,147
Borrowing Costs	712,262	645,822
Other Current Assets	73,361	256,233
	14,121,441	25,162,831
Financial liabilities (excluding net assets attributable to Unitholders)		
Trade and Other Payables	3,213,520	4,454,017
Distributions Payable	2,458,652	2,645,706
Vendor Loans	6,082,430	5,760,416
Long Term Loans	20,701,466	14,868,171
USA REIT Funding	126,730	119,710
	32,582,798	27,848,020

(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:

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(b) Currency Risk (cont'd)

	31 December 2015 $		30 June 2015 $	
	$	% of net assets	$	% of net assets
Cash Held In USD	9,546,813	10.42%	16,370,655	19.89%

	31 December 2015 $		30 June 2015 $	
	Year End	Average	Year End	Average
AUD:USD exchange rates	0.7299	0.7269	0.7727	0.8386

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 period and net assets attributable to Unitholders is as follows:

	31 December 2015 $		30 June 2015 $	
	+10%	-10%	+10%	-10%
Impact on profit before finance costs allocated to Unitholders	(187,461)	229,125	(338,669)	413,962
Impact on net assets attributable to Unitholders	(5,663,059)	6,921,709	(5,371,371)	6,565,524

(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 16 November 2015.

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.

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

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 net tangible assets 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 50% of a property's value so long as the total loan-to-valuation ratio across the whole portfolio remains at 40% or less (based on fair market 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 16 November 2015.

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

31 December 2015	**< 1 Year $'000**	**1-5 Years $'000**	**> 5 Years $'000**	**Carrying Amount $'000**
Cash And Cash Equivalents	12,813	-	-	12,813
Financial assets held at fair value through profit and loss				
Receivables	42	-	-	42
Other Financial Assets	1,266	-	-	1,266
	14,121	-	-	14,121
Financial liabilities held at fair value through profit and loss				
Trade & Other Payables	(2,881)	-	-	(2,881)
Distributions Payable	(2,458)	-	-	(2,458)
Other Financial Liabilities	-	(3,790)	(23,453)	(27,243)
	(5,339)	(3,790)	(23,453)	(32,582)
Net Maturities	8,782	(3,790)	(23,453)	(18,461)

30 June 2015	**< 1 Year $'000**	**1-5 Years $'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

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis (cont'd)

30 June 2015	**< 1 Year $'000**	**1-5 Years $'000**	**> 5 Years $'000**	**Carrying amount $'000**
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	-	(3,266)	(17,482)	(20,748)
	(7,100)	(3,266)	(17,482)	(27,848)
Net Maturities	18,063	(3,266)	(17,482)	2,685

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 16 November 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.

(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-Statement of Financial Position financial assets and liabilities as they are marked to market. The total credit risk for on-Statement of 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 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.

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.

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

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

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

The fair value of investment properties disclosed in Note 7 have been determined using Level 2 inputs.

(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:

31 December 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	12,813	-	12,813	0.75%	Variable
Sundry Debtors	-	42	42		
Other Financial Assets	-	1,266	1,266		
Total Financial Assets	12,813	1,308	14,121		
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)	4.03%	Fixed
Total Financial Liabilities	(23,422)	(4,426)	(27,848)		
Net Financial Assets	**(10,609)**	**(3,118)**	**(13,727)**		

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(f) Interest Rate Risk (cont'd)

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)**		

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 period and net assets attributable to Unitholders is as follows:

	31 December 2015 $		**30 June 2015 $**	
	+10%	**-10%**	**+10%**	**-10%**
Impact on profit before finance costs allocated to Unitholders	128,131	(128,131)	235,443	(235,443)
Impact on net assets attributable to Unitholders	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	31 December 2015 $	30 June 2015 $
NOTE 4: CASH AND CASH EQUIVALENTS			
Cash in bank Australian accounts AUD		3,266,246	7,173,609
Cash in bank Australian accounts USD	1 (q)	2,061,812	3,724,050
Cash in bank US accounts USD	1 (q)	7,485,001	12,646,605
		12,813,059	23,544,264
NOTE 5: SUNDRY DEBTORS			
GST Refund		39,702	37,141
Interest on Applications		2,479	4,224
		42,181	41,365
NOTE 6: OTHER ASSETS			
Current Assets			
Escrow Deposits		-	147,377
SSS Clearing Account		-	93,073
Security Deposits		73,361	10,341
Prepaid Insurance		440,962	653,578
Prepaid Expenses		39,616	21,569
Borrowing Costs		54,923	64,582
Other Current Assets		-	5,442
		608,862	995,962
Non-Current Assets			
Borrowing Costs		657,339	581,240
Office Set-Up Costs		58,804	-
		716,143	581,240

Borrowing costs totalling $712,262 relating to the USD 15.11m refinance are being amortised over 10 years. The current portion of $54,923 is included in current assets. The non-current portion of $657,339 is included in non-current assets as other non-current assets.

	31 December 2015 Fair Value		30 June 2015 Fair Value	
	USD	AUD	USD	AUD
NOTE 7: INVESTMENT PROPERTIES				
Texas Properties				
8344 RL Thornton Fwy, Dallas	3,400,000	4,658,172	3,079,642	3,985,560
1671 Riverview Dve, Lewisville	3,935,000	5,391,149	3,900,000	5,047,237
401 Powerhouse, McKinney	4,150,000	5,685,710	4,150,000	5,370,778
1205 Texas Parkway, Euless	4,200,000	5,754,213	4,200,000	5,435,486
Total Texas Property	15,685,000	21,489,244	15,329,642	19,839,061
Georgia Properties				
6620 Tara Blvd, Jonesboro	4,200,000	5,754,213	3,933,941	5,091,162
6205 & 6215 Shiloh Crossing, Alpharetta	6,300,000	8,631,319	6,500,000	8,412,061
1461 HWY 20 W, McDonough	4,500,000	6,165,228	3,750,000	4,853,113
2081 Jonesboro Rd, McDonough	4,000,000	5,480,203	3,607,563	4,668,776
270 Scientific Drive, Norcross	4,221,470	5,783,628	4,200,000	5,435,486
358 McDonough Pkway, McDonough	701,377	960,921	-	-
2192 Eastview Parkway, Conyers	1,900,000	2,603,096	-	-
400 Tech Pkway, Peachtree Corners	7,200,000	9,864,365	-	-
Total Georgia Property	33,022,847	45,242,973	21,991,504	28,460,598
Florida Properties				
3350 Hanson St, Fort Myers	1,110,000	1,520,756	1,100,000	1,423,578
13584 49th St Nth, Clearwater	3,530,000	4,836,279	3,520,000	4,555,455
4700 110th Ave Nth, Pinellas Park	1,425,000	1,952,322	1,360,425	1,760,612
2853 Work Dve, Fort Myers	2,650,000	3,630,634	2,650,000	3,429,533
2148 Fowler St, Fort Myers	1,200,000	1,644,061	1,310,035	1,695,399
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud	2,400,000	3,288,122	2,100,000	2,717,743
1904 Oak Grove Blvd, Lutz	3,050,000	4,178,655	2,950,000	3,817,782
5250 Giron Circle, Kissimmee	2,050,000	2,808,604	1,680,000	2,174,195
720 S. Dixie Fwy, New Smyrna Beach	2,500,000	3,425,127	2,400,000	3,105,991
2634 N. Orange Blossom Trail, Kissimmee	2,250,000	3,082,614	2,180,000	2,821,275
5961 Northland Rd, Fort Myers	760,000	1,041,239	750,000	970,624
16151 Pine Ridge Rd, Fort Myers	840,000	1,150,843	780,000	1,009,447
830 NE 24th Lane, Cape Coral	1,265,000	1,733,114	1,200,000	1,552,996
12050 49th St Nth, Clearwater	4,275,000	5,856,967	4,530,000	5,862,560
2621 NE 9th Ave, Cape Coral	825,000	1,130,292	700,000	905,914
1221 SE 9th Ter, Cape Coral	775,000	1,061,789	708,210	916,539
1013 SE 12th Avenue, Cape Coral	725,000	993,287	727,885	942,005
18538 US Hwy 19, Clearwater	580,000	794,629	550,000	711,789
932 NE 24th Lane, Cape Coral	730,000	1,000,137	700,000	905,914
5636 Youngquist Rd, Fort Myers	465,000	637,074	-	-
5760 Youngquist Rd, Fort Myers	750,000	1,027,538	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

	31 December 2015 Fair Value		30 June 2015 Fair Value	
	USD	**AUD**	**USD**	**AUD**
NOTE 7: INVESTMENT PROPERTIES (Cont'd)				
3419 Westview Drive, Naples	1,500,000	2,055,075	-	-
Total Florida Property	35,655,000	48,849,158	31,896,555	41,279,351
Total Property	**84,362,847**	**115,581,375**	**69,217,701**	**89,579,010**

	31 December 2015 $	30 June 2015 $
NOTE 8: PROVISIONS		
Provision for Audit Fees	43,719	17,673
Provision - Non-Unitised Applications	8,000	-
	51,719	17,673
NOTE 9: TRADE AND OTHER PAYABLES		
Trade Creditors	1,280,533	2,641,961
Accrued Property Taxes	312,350	554,851
Prepaid Rent	412,676	595,566
Security Deposits Held	873,174	603,091
Other Current Liabilities	2,500	30,899
	2,881,233	4,426,368
NOTE 10: BORROWINGS		
Current Borrowings		
Borrowings due within the next 12 months	23,835	27,649
Non-Current Borrowings		
USA REIT Funding	126,730	119,710
Long Term Loans (excluding borrowings due within the next 12 months)	26,760,061	20,628,587
	26,886,791	20,748,297

NOTE 10: BORROWINGS (cont'd)

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

	31 December 2015		30 June 2015	
	Loan AUD	**Loan USD**	**Loan AUD**	**Loan USD**
1671 Riverview Drive, Lewisville, TX				
4.0% pa interest, interest-only repayments until December 2018	1,972,873	1,440,000	1,863,595	1,440,000
401 Powerhouse, McKinney, TX				
6.0% pa interest, principal and interest repayments amortised over 5 years with a balloon payment due February 2019	1,035,712	755,966	993,236	767,473
2634 N. Orange Blossom Trail, Kissimmee, FL				
5.00% pa interest, interest-only repayments until March 2019	1,073,572	783,600	1,014,106	783,600
830 NE 24th Lane, Cape Coral, FL				
4.25% pa interest, interest-only repayments until April 2019	411,015	300,000	388,249	300,000
13584 49th St Nth, Clearwater, FL				
3.5% pa interest, interest-only repayments until April 2018, then 5.0% pa interest, interest-only repayments until April 2023	1,589,259	1,160,000	1,501,230	1,160,000
Long Term Borrowings (Refinance)				
Covering 7 properties:				
2081 Jonesboro Rd, McDonough, GA				
6205 & 6215 Shiloh Crossing, Alpharetta, GA				
1205 Texas Parkway , Euless, TX				
2853 Work Dve, Fort Myers, FL				
1904 Oak Grove Blvd, Lutz, FL				
12050 49th St Nth, Clearwater, FL				
1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud, FL				
5.145% pa interest, interest-only repayments until June 2025	15,769,283	11,510,000	14,895,820	11,510,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

NOTE 10: BORROWINGS (Cont'd)

	31 December 2015		30 June 2015	
	Loan AUD	**Loan USD**	**Loan AUD**	**Loan USD**
Long Term Borrowings (Refinance):				
400 Technology Parkway, Peachtree Corners, GA				
4.5% pa interest, interest-only repayments until January 2026	4,932,182	3,600,000	-	-
USA REIT Funding				
12.5% pa interest. No maturity.	126,730	92,500	119,710	92,500
	26,910,626	19,642,066	20,775,946	16,053,573

NOTE 11: UNITHOLDERS' FUNDS

	31 December 2015 $	30 June 2015 $
Opening Balance	71,015,920	52,968,294
Applications	6,707,393	15,155,426
Distributions Reinvested	1,888,225	2,910,652
	8,595,618	18,066,078
Redemptions	(3,317,620)	-
Net Applications, Redemptions and Reinvestments	5,277,998	18,066,078
Capital Raising Costs	(10,730)	(18,452)
Net Movement During The Period	5,267,268	18,047,626
Closing Balance	76,283,188	71,015,920

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 16 November 2015.

The Fund's redemption policies are disclosed in Note 3(c), and in the PDS dated 18 July 2013 and the SPDS dated 16 November 2015.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

	Note	Six Months To 31 December 2015 $	Twelve Months To 30 June 2015 $
NOTE 12: DISTRIBUTIONS			
Interim	1 (n)	-	2,119,060
Final	1 (n)	2,458,652	2,645,706
		2,458,652	4,764,766
Payable At Period End		2,458,652	2,645,706
NOTE 13: AUDITORS REMUNERATION			
Amounts paid and payable to Moore Stephens Victoria and Clifton Larsen Allen LLP for audit and assurance services, including auditing the compliance plan		49,179	40,500
NOTE 14: CASH FLOW INFORMATION			
Reconciliation of net cash provided by operating activities to net operating profit			
Net Operating Profit		2,384,186	3,784,225
Add/(Less) Non-Cash Items:			
Foreign Currency Gain		(336,083)	(327,984)
Unrealised Revaluation Gains		(2,757,345)	(8,232,734)
Withholding Tax Payable		(331,910)	-
(Increase) / Decrease In Sundry Debtors		(816)	253,640
(Increase) / Decrease In Other Current Assets		387,100	(37,205)
Increase / (Decrease) In Trade Creditors And Other Payables		(1,545,135)	3,318,007
Increase / (Decrease) In Other Current Liabilities		538,343	-
Increase In Deferred Tax Liability		757,470	3,501,882
Increase / (Decrease) In Provisions		34,046	(4,927)
Net cash provided by operating activities		**(870,144)**	**2,254,904**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

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

	Six Months To 31 December 2015 $	Twelve Months To 30 June 2015 $
Income statement information		
Net profit (loss) attributable to Unitholders of the parent entity	(396,275)	(2,332,057)
Comprehensive income information		
Total comprehensive income attributable to Unitholders of the parent entity	(396,275)	(2,332,057)
Statement of Financial Position Information		
Current Assets	7,382,451	10,944,997
Non-Current Assets	60,224,083	55,340,185
Current Liabilities	(3,604,483)	(5,121,032)
Non-Current Liabilities	(5,424,656)	(4,667,186)
Net Assets	58,577,395	56,496,964
Net assets attributable to Unitholders of the parent entity		
Unitholders Funds	76,481,652	71,203,653
Undistributed Profits	(17,705,792)	(14,518,955)
Set up costs	(198,465)	(187,734)
Total Equity	58,577,395	56,496,964

NOTE 16: CONTROLLED ENTITIES

	31 December 2015 Country of Incorporation	30 June 2015 % Owned
Subsidiaries controlled by the Fund during the period were:		
Ozinus Realty, LLC *(acquired 30 November 2012)*	USA	100%
Ozinus Hanson, LLC (acquired 13 March 2013)	USA	100%

	31 December 2015	30 June 2015

NOTE 16: CONTROLLED ENTITIES (cont'd)

	Country of Incorporation	% Owned
Ozinus Pinellas Park, LLC *(acquired 12 April 2013)*	USA	100%
Ozinus Breckinridge, LLC *(acquired 16 April 2013)*	USA	100%
Ozinus Thornton, LLC *(acquired 9 August 2013)*	USA	100%
Ozinus Palmetto Grove, LLC *(acquired 15 August 2013)*	USA	100%
Ozinus Rams Plaza, LLC *(acquired 9 September 2013)*	USA	100%
Ozinus Hamlin, LLC *(acquired 8 October 2013)*	USA	100%
Ozinus Eagle Plaza, LLC *(acquired 3 December 2013)*	USA	100%
Ozinus Giron, LLC *(acquired 13 December 2013)*	USA	100%
Ozinus Riverview Drive, LLC *(acquired 26 December 2013)*	USA	100%
Ozinus Powerhouse, LLC *(acquired 6 February 2014)*	USA	100%
Ozinus NSB, LLC *(acquired 14 February 2014)*	USA	100%
Ozinus Orange Blossom, LLC *(acquired 7 March 2014)*	USA	100%
Ozinus Northland, LLC *(acquired 4 April 2014)*	USA	100%
Ozinus Pine Ridge, LLC *(acquired 15 April 2014)*	USA	100%
Ozinus Cape Coral 830CC, LLC *(acquired 30 April 2014)*	USA	100%
Ozinus Shops of Tara, LLC *(acquired 1 May 2014)*	USA	100%
Ozinus Pitney, LLC *(acquired 23 June 2014)*	USA	100%
Ozinus NE 9th CC, LLC *(acquired 27 June 2014)*	USA	100%
Ozinus SE 9-CC, LLC *(acquired 11 July 2014)*	USA	100%
Ozinus Texas Star, LLC *(acquired 16 July 2014)*	USA	100%
Ozinus Shiloh, LLC *(acquired 23 July 2014)*	USA	100%
Ozinus 1013SE12-CC, LLC *(acquired 24 September 2014)*	USA	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	31 December 2015	**30 June 2015**

NOTE 16: CONTROLLED ENTITIES (cont'd)

	Country of Incorporation	**% Owned**
Ozinus US 19N, LLC *(acquired 29 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%

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.

NOTE 17: RELATED PARTY TRANSACTIONS (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 $10,500 for providing compliance services for six months to 31 December 2015.

	Six Months To 31 December 2015 $	Twelve Months To 30 June 2015 $
Fees Paid To And Interests Held By The Responsible Entity		
The following fees were paid to the Responsible Entity out of Fund property during the financial period:		
Management Fees	1,129,746	1,399,160
Performance Fees	900,002	2,124,076
Total Fees To The Responsible Entity	2,029,748	3,523,236
Other Expense Reimbursements	16,697	120,655
Total Fees & Reimbursements	2,046,445	3,643,891

Fees paid to the Responsible Entity are pursuant to the disclosures made in the PDS dated 18 July 2013 and the SPDS dated 16 November 2015.

Related Party Investments Held By the Fund

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

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 31 December 2015 #	Units Held At 31 December 2015 Value in AUD
Stephen McKnight (Director) & Associated Parties	1,748,261	2,431,481
Plantation Capital Limited	482,938	671,670
Davendra Prasad (CFO)	71,909	100,011

	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

NOTE 17: RELATED PARTY TRANSACTIONS (cont'd)

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 31 December 2015:

Appreciation In Value Of The AUD Against The USD

Between 1 January 2016 and the date these accounts were issued the AUD appreciated against the USD from $0.7299 to $0.7633 resulting in estimated unrealised foreign exchange loss of $4,297,741.

Fund Subscription Cap Reached

On 14 January 2016 the Fund's subscription cap of $75m was reached. The fund was opened to subscription following the completion of the first redemption offer in October 2015.

Resolution Of Shortfall In June 2015 Performance Fee

A review of the performance fee calculation revealed that the maximum performance fee payable to the Responsible Entity for the year ended 30 June 2015 was understated by $3.7m gross. The Responsible Entity has permanently waived its right to this underpayment provided the Australian Taxation Office issues a private ruling in favour of the Responsible Entity confirming the amount waived will not be treated as not assessable income.

NOTE 19: COMMITMENTS AND CONTINGENCIES

The Fund has no commitments or contingencies to report.

NOTE 20: RESPONSIBLE ENTITY DETAILS

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

Registered Office	**Postal Address**	**Other Details**
893A Canterbury Rd	PO Box 2193	Phone: 03 8892 3800
BOX HILL VIC 3128	BLACKBURN SOUTH VIC 3130	Fax: 03 8892 3811
AUSTRALIA	AUSTRALIA	www.passiveincomefund.com
		admin@passiveincomefund.com

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 7 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 31 December 2015 and of its performance, as represented by the results of its operations and its cash flows for the financial period 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.

Steve McKnight

Stephen McKnight
Director
Melbourne: 23 March 2016

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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 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the period 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 Ltd (**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.

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 31 December 2015 and of its performance for the period 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.

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

23 March 2016