

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

ARSN 155 770 095

**INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2014**

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
AND CONTROLLED ENTITIES
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FOR THE SIX MONTHS ENDED
31 DECEMBER 2014**

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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 condensed financial statements of the Fund for the six months ended 31 December 2014 (the interim financial period). This financial report has been prepared in accordance with Australian Accounting Standards, including AASB 134: Interim Financial Reporting, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Principal activities

The Fund is an unlisted property fund that seeks to generate passive income and growth returns by acquiring assets in 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 as updated in the Supplementary Product Disclosure Statement (SPDS) dated 29 January 2015. The Fund, via its controlled subsidiaries, has primarily invested in USA based properties.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the period.

Directors

The Directors of the responsible entity (Directors) 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 on a co-ownership basis, 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.

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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 22 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 and financial results

The Fund was registered with ASIC on 2 March 2012 under the name of the PCL Direct Property Fund and on the 7 May 2012 changed its name to the Passive Income (USA Commercial Property) Fund.

During the past six months no new units were issued as the Fund was temporarily closed to new and top up applications.

Between 1 July and 31 December 2014 the Fund, via its controlled entities, acquired a further four properties in Florida, one in Texas and three in Georgia, USA. Several more properties are being analysed for potential purchase.

The Fund's consolidated net operating profit after tax and before distributions attributable to Unitholders for the interim financial period was \$1,733,269 (2013: profit \$379,357.) Rental income for the Fund was \$3,364,757 for the six months, and foreign exchange gains were \$457,799. The Fund expects that rental income will continue to increase as more properties are purchased and improved rental rates are negotiated.

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DIRECTORS' REPORT (Cont'd)

A distribution of \$2,119,061 was declared on 31 December 2014 (2013: nil). The funds were distributed to Unitholders on 21 January 2015. No other distributions were declared during the interim financial Period.

The redemption unit price (ex-distribution) as at 31 December 2014 was \$1.2013 (30 June 2014: \$1.0516).

Fund Performance

	Six Months Ended 31 Dec 2014 %	Six Months Ended 31 Dec 2013 %
Increase in Unit Price	14.24	1.3
Income Distribution	4.00	0.0
Total return (per unit)	18.24	1.3

Total return assumes the unit has been held for the entire relevant six month period.

As at 31 December 2014, US subsidiary Ozinus Realty LLC had declared a dividend of US\$915,000 to the Fund. This dividend, net of withholding tax, was received by the Fund on 16 January 2015 and, after foreign currency conversion, equated to AU\$930,414.

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

Units on Issue

	Six Months Ended 31 Dec 2014 #	Six Months Ended 31 Dec 2013 #
Opening Balance	51,618,696	27,572,272
New units issued under the capital raise based on 18 July 2013 PDS	1,357,819	10,223,837
Number of units on issue at 31 December 2014	52,976 515	37,796,109

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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 interim financial Period:

	Six Months Ended 31 Dec 2014 \$	Six Months Ended 31 Dec 2013 \$
Management fee	618,237	306,945
Expense reimbursements	120,239	146,741
	738,476	453,686

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.

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:

	31 Dec 2014 \$	30 June 2014 \$
Steve McKnight		
- # Units	788,393	785,534
- \$ Units	\$978,632	\$857,882
Davendra Prasad (CFO)		
- # Units	18,258	17,589
- \$ Units	\$22,664	\$19,209

Derivatives and 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 does not enter into Forward Exchange contracts. It purchases US dollars at market price based on prevailing advice and board policy. As at 31 December 2014, the Fund held cash in AUD and 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).

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DIRECTORS' REPORT (Cont'd)

Significant Changes in State Of Affairs

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

After Balance Date Events

Apart from those items listed in Note 13 to the accounts, no matters or circumstances have arisen since the end of the financial year which significantly affected the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

Likely Developments and Expected Results of Operations

The Fund will 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.

Environmental Regulation

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

Indemnification and Insurance of Officers and Auditors

The company has paid premiums to insure Directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

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 arising out of a breach of professional duty. 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 13 March 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 31 December 2014, 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

13 March 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



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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	6 months to 31 Dec 2014 \$	6 months to 31 Dec 2013 \$
Income			
Interest income		21,339	30,934
Rental income		3,364,757	882,828
Realised foreign currency gain		457,799	757,193
Fair value gain on investment properties		1,660,184	-
Due diligence rebate		31,359	-
Total Income		5,535,438	1,670,955
Property related expenses			
Property management fees		279,807	58,040
Insurance		216,824	161,553
Finance costs		126,164	36,729
Due diligence expenses		106,437	233,630
Property expenses		1,256,761	287,146
Other property related expenses		304,807	54,267
Total property related expenses		2,290,800	831,365
Fund operating expenses			
Accounting and audit fees		27,412	1,904
Responsible entity's fees	10	618,237	306,945
Compliance costs		26,745	59,835
Custodian fees		6,739	10,392
Other Fund operating expenses		40,557	81,076
Total Fund operating expenses		719,690	460,152
Total expenses		3,010,490	1,291,517
 Operating profit before income tax		 2,524,948	 379,438
Income tax expense	1 (d)	(791,679)	(81)
Net profit after income tax		1,733,269	379,357
 Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		1,733,269	379,357
 Distribution of Income			
Profit attributable to Unitholders		1,733,269	379,357
Distribution to Unitholders	8	2,119,061	-
Undistributed income		(385,792)	379,357

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	Dec 2014 \$	June 2014 \$
Current Assets			
Cash and cash equivalents	2	4,163,459	19,691,744
Sundry debtors	3	556,866	295,005
Other current assets	4	521,209	958,757
Total Current Assets		<u>5,241,534</u>	<u>20,945,506</u>
Non Current Assets			
Equipment		12,195	10,612
Investment properties	5	67,850,584	42,023,448
Total Non Current Assets		<u>67,862,779</u>	<u>42,034,060</u>
Total Assets		<u>73,104,313</u>	<u>62,979,566</u>
Current Liabilities			
Trade creditors and other payables		923,853	1,136,010
Provisions		660,324	22,600
Distributions payable		2,118,581	2,062,554
Total Current Liabilities		<u>3,202,758</u>	<u>3,221,164</u>
Non Current Liabilities			
Loans payable	6	6,260,205	5,465,630
Deferred tax liability	1 (d)	1,956,983	1,165,304
Total Non Current Liabilities		<u>8,217,188</u>	<u>6,630,934</u>
Total Liabilities		<u>11,419,946</u>	<u>9,852,098</u>
Net Assets		<u>61,684,367</u>	<u>53,127,468</u>
Net Assets Attributable To Unitholders			
Unitholders' funds	7	54,395,880	52,968,294
Undistributed income		245,213	631,005
Foreign currency reserve account		7,043,274	(471,831)
Total Net Assets Attributable To Unitholders		<u>61,684,367</u>	<u>53,127,468</u>

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

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN
NET ASSETS ATTRIBUTED TO UNITHOLDERS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	Unitholders' Funds \$	Undistributed Income \$	Other Reserves \$	Total Equity \$
Balance as at 1 July 2014		52,968,294	631,005	(471,831)	53,127,468
Net increase attributable to Unitholders		-	(385,792)	-	(382,792)
Other comprehensive income		-	-	-	-
Total comprehensive income for the Period		-	(385,792)	-	(382,792)
Transactions with Unitholders in their capacity as Unitholders:					
Foreign currency reserve		-	-	7,515,105	7,515,105
USA Withholding Tax		-	-	-	-
Units issued – applications	7	1,427,586	-	-	1,427,586
Capital raising costs refund	7	-	-	-	-
Total Transactions with Unitholders in their capacity as Unitholders		1,427,586	-	7,515,105	8,942,691
Balance as at 31 Dec 2014		54,395,880	245,213	7,043,274	61,684,367

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

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**CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN
NET ASSETS ATTRIBUTED TO UNITHOLDERS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	Unitholders' Funds \$	Undistributed Income \$	Other Reserves \$	Total Equity \$
Balance as at 1 July 2013		27,460,651	1,346,131	881,677	29,688,459
Net increase attributable to Unitholders		-	379,357	-	379,357
Other comprehensive income		-	-	-	-
Total comprehensive income for the Period		-	379,357	-	379,357
Transactions with Unitholders in their capacity as Unitholders:					
Foreign currency reserve		-	-	270,460	270,460
USA Withholding Tax		-	(46,051)	-	(46,051)
Units issued – applications	7	10,930,508	-	-	10,930,508
Capital raising costs refund	7	143	-	-	143
Total Transactions with Unitholders in their capacity as Unitholders		10,930,651	(46,051)	270,460	11,155,060
Balance as at 31 Dec 2013		38,391,302	1,679,437	1,152,137	41,222,876

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

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**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	6 Months to 31 Dec 2014 \$	6 Months to 31 Dec 2013 \$
Cash flows from operating activities			
Receipts from customers		3,071,340	960,326
Payments to suppliers		(2,739,341)	(1,503,323)
Interest received		21,339	30,934
Interest paid		(132,604)	(36,729)
Net cash provided by operating activities		220,734	(548,792)
Cash flows from investing activities			
Deposit on properties		107,484	(143,363)
Purchase of investment properties		(23,739,974)	(16,044,972)
Capital Improvements		(428,561)	(11,211)
Gain on foreign currency		457,799	757,193
Net cash used in investing activities		(23,603,252)	(15,442,353)
Cash flows from financing activities			
Proceeds from borrowings		794,575	2,318,534
Applications received from Unitholders		1,607,586	12,513,725
Refunds from unit raising costs		-	143
Distributions paid		(2,063,034)	-
Receipts from short term loans		-	5,990
Net cash provided by financing activities		339,127	14,838,392
Net increase/(decrease) in cash and cash equivalents		(23,043,391)	(1,152,753)
Cash at the beginning of the interim financial Period		19,691,744	25,828,973
Effect of foreign currency exchange rate changes on cash and cash equivalents		7,515,106	270,598
Cash at the end of the interim financial Period	2	4,163,459	24,946,818

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

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 condensed financial report that has been prepared in accordance with Australian Accounting Standards, including AASB 134: Interim Financial Reporting, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Fund. The half-year financial statements do not include notes of the type normally included in an annual financial report, and should be read in conjunction with the most recent annual financial report.

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 statements.

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 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.

(b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(c) 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 the same as those in the most recent annual financial statements.

(d) 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.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

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

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 Unit Holders. A deferred tax liability is recognised at 35% off 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.

	31 Dec 2014 \$	30 June 2014 \$
NOTE 2: CASH AND CASH EQUIVALENTS		
AUD Cash in Australian bank accounts	1,470,834	9,779,580
USD Cash in Australian bank accounts	398,174	8,534,891
USD Cash in US bank accounts	2,294,451	1,377,273
	<hr/>	
Total Cash & Cash Equivalents	4,163,459	19,691,744
	<hr/>	

NOTE 3: SUNDRY DEBTORS

Rental income owing	564,998	265,428
Provision for doubtful debts	(38,145)	-
GST refund	30,013	29,577
	<hr/>	
Total Sundry Debtors	556,866	295,005
	<hr/>	

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	31 Dec 2014 \$	30 June 2014 \$
NOTE 4: OTHER CURRENT ASSETS		
Escrow deposits	30,316	137,800
Prepaid Insurances	242,537	203,276
SSS Clearing Account	218,900	434,959
Security Deposits	3,128	2,722
Provision for units on issue	-	180,000
Other current assets	26,328	-
	<hr/>	<hr/>
Total Other Current Assets	521,209	958,757
	<hr/>	<hr/>

NOTE 5: INVESTMENT PROPERTIES

	31 Dec 2014		30 June 2014	
	Fair Value		Fair Value	
Texas Property	USD	AUD	USD	AUD
8344 RL Thornton Fwy, Dallas	3,070,000	3,743,902	3,079,366	3,267,669
1671 Riverview Dve, Lewisville	3,850,000	4,695,122	3,600,000	3,820,139
401 - 403 Powerhouse, McKinney	4,110,000	5,012,195	4,125,000	4,377,243
Lots 1-R and 2-R, Block 1, Euless	4,000,000	4,878,049	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Texas Property	15,030,000	18,329,268	10,804,366	11,465,051
	<hr/>	<hr/>	<hr/>	<hr/>
Georgia Property				
6620 Tara Blvd, Jonesboro	3,896,958	4,752,388	3,850,000	4,085,427
6205/ 6215 Shiloh Crossing, Alpharetta	6,200,000	7,560,975	-	-
1461 HWY 20 W, McDonough	2,800,000	3,414,634	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Georgia Property	12,896,958	15,727,997	3,850,000	4,085,427
	<hr/>	<hr/>	<hr/>	<hr/>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

NOTE 5: INVESTMENT PROPERTIES (Cont'd)

Florida Property	31 Dec 2014		30 June 2014	
	Fair Value		Fair Value	
	USD	AUD	USD	AUD
3350 Hanson St, Fort Myers	879,838	1,072,973	875,000	928,507
13584 49th St Nth, Clearwater	3,202,508	3,905,498	3,190,000	3,385,068
4700 110th Ave Nth, Pinellas Park	1,360,000	1,658,537	1,360,000	1,443,164
2853-2861 Work Drive, Fort Myers	2,256,579	2,751,926	2,254,914	2,392,802
2148-2160 Fowler St, Fort Myers	1,185,000	1,445,122	1,150,000	1,220,322
1408 & 1424 Hamlin Ave & 2013 Murcott Drive, St Cloud	1,794,937	2,188,948	1,760,000	1,867,624
1904 Oak Grove Blvd, Lutz	2,534,000	3,090,244	2,534,000	2,688,954
5250 Giron Circle, Kissimmee	1,366,025	1,665,884	1,366,025	1,449,557
720 S. Dixie Fwy, New Smyrna Beach	1,844,922	2,249,905	1,700,000	1,803,955
2634-54 N. Orange Blossom Trail, Kissimmee	1,991,712	2,428,917	1,959,000	2,078,792
5961 Northland Rd, Fort Myers	515,000	628,049	480,000	509,352
16151-171 Pine Ridge Rd, Fort Myers	780,000	951,220	753,500	799,576
830 NE 24th Lane, Cape Coral	925,000	1,128,049	900,000	955,035
3125 Central Ave, Fort Myers	115,000	140,244	115,000	122,032
12050 49th St Nth, Clearwater	3,900,000	4,756,098	3,900,000	4,138,484
2621 NE 9th Ave, Cape Coral	700,000	853,659	650,000	689,746
1221 SE 9th Terrace, Cape Coral	700,000	853,659	-	-
1013-1019 SE 12th Avenue, Cape Coral	720,000	878,049	-	-
18538-18562 US Hwy 19, Clearwater	400,000	487,805	-	-
931 & 932 NE 24th Lane, Cape Coral	540,000	658,533	-	-
Total Florida Property	27,710,521	33,793,319	24,947,439	26,472,970
Total Investment Properties	55,637,479	67,850,584	39,601,805	42,023,448

Valuation method

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 USD fair value at each reporting date that is then translated from USD to AUD. All investment properties owned by controlled entities were purchased during the 2013 and 2014 calendar year. Any change in the fair value of the properties are taken into account and disclosed in the Statement of Comprehensive Income.

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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

NOTE 5: INVESTMENT PROPERTIES (Cont'd)

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.

Contractual obligations

As at balance date, there were no contracts in place for the purchase of properties.

NOTE 6: LOANS PAYABLE

	Dec 2014		June 2014	
Vendor Loans Payable				
Specifics of the finance terms for each loan are as follows:	Loan Amount AUD \$	Loan Amount USD \$	Loan Amount AUD \$	Loan Amount USD \$
13584 49th St Nth, Clearwater, FL <i>Interest Only Loan @ 3.5% p.a. interest until April 2018, then 5% p.a. interest until Apr 2023</i>	1,414,634	1,160,000	1,230,934	1,160,000
2853-2861 Work Dve, Fort Myers, FL <i>Principal and Interest Loan @ 4% p.a. interest maturing Sep 2018</i>	703,411	576,797	620,856	585,079
1671 Riverview Drive, Lewisville, Tx <i>Interest Only Loan @ 4% p.a. interest maturing Dec 2018</i>	1,756,098	1,440,000	1,528,056	1,440,000
401 - 403 Powerhouse, McKinney, Tx <i>Principal and Interest Loan @ 6% p.a. interest maturing Jan 2024</i>	951,794	780,471	837,766	789,489
830 NE 24 th Lane, Cape Coral, FL <i>Interest Only Loan @ 4.25% p.a. interest maturing May 2019</i>	365,853	300,000	318,345	300,000
2634-54 N. Orange Blossom Trail, Kissimmee, FL <i>Interest Only Loan @ 5% p.a. interest maturing Apr 2019</i>	955,610	783,600	831,517	783,600
Total Vendor Loans Payable	6,147,400	5,040,868	5,367,474	5,058,168
USA REIT Funding	112,805	92,500	98,156	92,500
Total Loans Payable	6,260,205	5,133,368	5,465,630	5,150,668

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

NOTE 6: LOANS PAYABLE (Cont'd)

USA REIT Capital was issued to USA based investors through the Fund controlled entity, Ozinus Realty LLC as part of the USA REIT structure. USD\$92,500 was raised with investors being paid a coupon rate of interest annually.

31 Dec 2014	30 June 2014
\$	\$

NOTE 7: UNITHOLDERS' FUNDS

Opening balance	52,968,294	27,460,651
Applications	1,427,586	10,390,508
Capital raising (costs)/refund	-	143
Closing Balance	54,395,880	38,391,302

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. The Fund's redemption policies are disclosed 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 8: DISTRIBUTIONS

Distribution to unit holders	2,119,061	-
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**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

NOTE 9: CONTROLLED ENTITIES

Subsidiaries controlled by the Fund
during the interim financial Period were:

	<u>Country of Incorporation</u>	<u>% Owned</u>
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, 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, 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 830 CC, LLC <i>(acquired 30 April 2014)</i>	USA	100%
Ozinus SOT, LLC <i>(acquired 1 May 2014)</i>	USA	100%
Ozinus 49N-CW, LLC <i>(acquired 23 June 2014)</i>	USA	100%
Ozinus NE9-CC, LLC <i>(acquired 27 June 2014)</i>	USA	100%
Ozinus Texas Star, LLC <i>(acquired 10 July 2014)</i>	USA	100%

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

NOTE 9: CONTROLLED ENTITIES (Cont'd)

	<u>Country of Incorporation</u>	<u>% Owned</u>
Ozinus Shiloh, LLC <i>(acquired 18 July 2014)</i>	USA	100%
Ozinus SE9-CC, LLC <i>(acquired 10 July 2014)</i>	USA	100%
Ozinus 1013SE12-CC, LLC <i>(acquired 24 Sep 2014)</i>	USA	100%
Ozinus US Hwy 19, LLC <i>(acquired 29 Sep 2014)</i>	USA	100%
Ozinus NE 932NE24-CC, LLC <i>(acquired 30 Sep 2014)</i>	USA	100%
Ozinus McDonough, LLC <i>(acquired 31 Dec 2014)</i>	USA	100%

NOTE 10: RELATED PARTY TRANSACTIONS

The responsible entity of the Fund is Plantation Capital Limited (ABN 65 133 678 089, AFSL 339481).

Key management personnel

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

The directors of the responsible entity during the interim financial Period were:

Stephen McKnight
Paul Harper
Keith Woodhead

Key management personnel for the Fund also included Mr Davendra Prasad, the Chief Financial Officer.

Remuneration of the key personnel is paid directly by the responsible entity. Key personnel are not provided with any remuneration by the Fund itself. Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the responsible entity.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	31 Dec 2014	31 Dec 2013
	\$	\$
NOTE 10: RELATED PARTY TRANSACTIONS (Cont'd)		
Responsible entity fees and other transactions		
Management fees	618,237	306,945
Expense reimbursements	120,239	146,741
	<u>738,476</u>	<u>453,686</u>

Fees paid to the responsible entity are pursuant to the disclosures made in the PDS dated 18 July 2013. Expense reimbursements relate to costs incurred by the responsible entity on behalf of the Fund, which are charged back to the Fund at cost.

Related Party Investments Held By The Fund

The Fund has no investment in the responsible entity at interim financial Period end.

Unit Holdings

During the financial Period, the amount of units held in the Fund by the key personnel and their controlled entities are as follows:

Stephen McKnight – Number Units	788,393	785,534
Stephen McKnight – Units Value	\$978,632	\$857,882
Davendra Prasad – Number Units	18,258	17,589
Davendra Prasad – Units Value	\$22,664	\$19,209

During, or since the end of the interim financial Period, 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 11: COMMITMENTS AND CONTINGENCIES

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2014.

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

NOTE 12: SEGMENT INFORMATION

The Fund operates solely in the business of investing in real estate assets in the USA. This is considered to be a single operating segment for the purpose of preparing this financial report. Investment properties held in the various states of USA are shown in note 5 above.

The Responsible Entity operates and is domiciled in Australia.

NOTE 13: SUBSEQUENT EVENTS

Subsequent to balance date, the following key activities had taken place;

- A Supplementary Product Disclosure Statement was issued on 29 January 2015 to:
 - re-open the Fund to applications;
 - update the gearing policy of the Fund;
 - update the timing for release of the issue price of units;
 - clarify the distribution entitlement of Unit Holders; and
 - update the distribution practices of the Fund.
- The Fund re-opened for new and top up applications on 3 February 2015 and by the end of February applications totalling \$6,141,121 were received.

Apart from these items, no other matters or circumstances have arisen since the end of the interim period which significantly affected the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

NOTE 14: RESPONSIBLE ENTITY DETAILS

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

Registered Office & Street Address

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
Website: www.passiveincomefund.com
Email: admin@passiveincomefund.com

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND
AND CONTROLLED ENTITIES
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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 1 to 21 are in accordance with the Corporations Act 2001 and including:
 - (a) Comply with Australian Accounting Standard AASB 134 Interim Financial Reporting;
and
 - (b) Giving a true and fair view of the consolidated financial position of the Fund as at 31 December 2014 and of its performance, for the half 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: 13 March 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Passive Income (USA Commercial Property) Fund (the "Scheme"), which comprises the condensed statement of financial position as at 31 December 2014, the condensed income statement, the condensed statement of comprehensive income, statement of comprehensive income, condensed statement of changes in net assets and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Plantation Capital Limited (the "Responsible Entity") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the scheme's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Passive Income (USA Commercial Property) Fund is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Scheme's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



NEXIA MELBOURNE
ABN 16 847 721 257



GEORGE DAKIS
Partner
Audit & Assurance Services

Melbourne

13 March 2015