

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

ARSN 155 770 095

**FINANCIAL REPORT
FOR THE PERIOD ENDED
30 JUNE 2013**

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

**FINANCIAL REPORT
FOR THE PERIOD ENDED
30 JUNE 2013**

TABLE OF CONTENTS

	Page
Directors' Report	2
Auditor's Independence Declaration	8
Financial Report for the period ended 30 June 2013	
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Statement of Changes in Net Assets Attributable to Unitholders	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13
Director's Of Responsible Entity Declaration	34
Independent Auditor's Report	35

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

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 period ended 30 June 2013. 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 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. The Fund, via its controlled subsidiaries, has primarily invested in USA based property.

The Fund did not have any employees during the year.

Directors

The directors of the responsible entity during the year or since the end of the financial year are:

Stephen (Steve) McKnight – Director & Secretary

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

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

Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes a significant portion of USA properties on a co-ownership basis, including single family homes, multi-family homes, and commercial real estate (including four mobile home parks).

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

Paul Harper – Director

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

Paul has been providing financial advisory services to corporations, institutions and high net worth individuals for the past 22 years.

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

DIRECTORS' REPORT (cont'd)

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

Thomas (Tommy) Senatore – Director

BS Degree, Paralegal Certificate (Honours)

Based in Cape Coral, Florida (USA), Tommy is an authority in tax lien and deed investing and controls an extensive real estate portfolio of USA commercial and residential property. Currently head of TLD International, a group that provides wealth creation consulting and advisory services to both individual clients and corporations, he has conducted numerous seminars in the USA and around the world.

Prior to this, Tommy was a member of the USA Mentor Team for the Wealth Intelligence Academy and regularly presented seminars on how to build property portfolios around tax lien and deed strategies, as well as the owner of a construction company.

Keith Woodhead – Director

Master Business Administration, BSurv, Grad.Dip. (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 this 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.

Haydn Wright – Director

Master Tax Law, Bachelor of Economics, ASIA

Haydn is a highly experienced corporate advisor with specific experience in property development, funds management, banking and finance.

Haydn provides consultancy advice to Australian and European investment funds including active management roles such as the recent restructuring of an eastern European property development company with a balance sheet in excess of €200 million. Haydn's experience is across all property classes including major shopping centres, commercial buildings and high-rise residential towers, and Haydn's work includes project oversight and management, as well as finance (including bank funding, balance sheet and cash flow management, debt/equity and mezzanine finance).

Haydn possesses significant experience in the financial services sector including Head of Credit with mortgage funds manager Affinity Funds Management Limited, director of the boutique corporate advisory group Teraform Advisory, and property investment group Securitised Asset Management Limited. He has also held senior banking positions with Kleinwort Benson Limited, Citibank Limited and CIBC Australia Limited.

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

DIRECTORS' REPORT (cont'd)

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. Accordingly, these financial accounts are prepared for the period 2 March 2012 to 30 June 2013, a period of 16 months, as permitted under Section 323D of the *Corporations Act 2001*.

Pursuant to the PDS dated 29 May 2012, a total of \$28,064,267 of application money was received between 1 June and 31 December 2012, which after deducting contribution fees, resulted in the issue of 27,508,630 units at \$1 each. Although applications were received up until 31 December 2012, the Fund became active on 31 October 2012 after the minimum subscription amount was exceeded.

Between 1 January and 30 June 2012 the Fund, via its controlled entities, acquired three properties located in Florida, with several more being analysed for potential purchase.

The Fund's consolidated net operating profit before distributions attributable to Unitholders for the current year was \$1,449,410 (Parent entity: profit \$2,331,985.)

A special distribution of \$103,279 was declared on 31 October 2012. No other distributions were declared.

The redemption unit price (ex-distribution) as at 30 June was \$1.0768. The basis for valuation of the Fund's assets is disclosed in Note 1(o) to the financial statements.

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

Fund Performance

	Based on an investment made on 31 Dec 2012 with an issue price of \$1	Based on an investment made on 1 Jul 2012 with an issue price of \$1
Capital growth	7.68%	7.68%
Distribution of income	Nil	1.27%
Total return	7.68%	8.95%

Up until 31 October 2012 the assets of the Fund were held in money market accounts earning interest at money market rates. This interest was paid to eligible Unitholders via a special distribution on a pro rata basis, weighted for the number of days they had invested and the amount of their investment.

As at 30 June 2013, US subsidiary Ozinus Realty LLC had not paid any dividends to the Fund as the properties it had acquired were yet to recoup the due diligence and purchase costs from net rent received.

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

DIRECTORS' REPORT (cont'd)

Units On Issue

	2013
Opening Balance	-
New units issued under the initial capital raise suspended 31 December 2012	27,508,630
New units issued under the distribution reinvestment plan pursuant to the special distribution declared 31 October 2012	63,642
Number of units on issue at 30 June 2013	27,572,272

Fees paid to and interests held by the responsible entity

The following fees were paid to the responsible entity out of Fund property during the financial year:

	2013
	\$
Management fee	335,863
Expense reimbursements	162,087
	497,950

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:

	Number of units held as at 30 June 2013	Total value of units held as at 30 June 2013
		\$
Stephen McKnight (<i>Director</i>)	328,374	353,953
James Findlay (<i>CFO</i>)	49,010	52,774

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

DIRECTORS' REPORT (cont'd)

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 30 June 2013, the Fund held cash in AUD and USD. During the year, a number of term deposits on 30 to 60 day terms were arranged via the custodian Australian Executor Trustees Ltd (AET).

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

A new PDS was issued on 18 July 2013 at which time the Fund began accepting and processing new and top up applications. From 18 July to 1 September \$2,352,000 had been received in application monies and 2,078,941 new units issued.

Furthermore, the following properties had been acquired:

8344 E. RL Thornton Fwy, Dallas, Texas:	US\$3,050,000
2853-2861 Work Dve, Fort Myers, Florida:	US\$2,000,000
2148-2160 Fowler St, Fort Myers, Florida:	US\$667,500

No other 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.

Environmental regulation

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

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

DIRECTORS' REPORT (cont'd)

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 for the supply of substandard services or advice. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors.

The Fund has not indemnified any auditor of the Fund.

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

Dated at Melbourne on 26 September 2013



Stephen McKnight
Chairman

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

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2013, 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

 September 2013

Nexia Melbourne

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

Independent member of Nexia International



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

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2013**

	Note	2013 \$
Income		
Interest income		547,071
Rental income		126,969
Unrealised foreign currency gain		1,469,379
Total Income		2,143,419
 Operating expenses		
Accounting and audit fees		35,175
Responsible entity's fees	17	335,863
Compliance costs		36,040
Custodian fees		19,088
Insurance		82,665
Finance costs		6,667
Legal and due diligence expenses		68,050
Property expenses		49,222
Other operating expenses		61,239
Total operating expenses		694,009
 Operating profit before income tax		 1,449,410
Income tax expense	1(n)	-
Net profit after income tax		1,449,410
 Other comprehensive income		
Other comprehensive income		-
Total comprehensive income		1,449,410
 Distribution of Income		
Profit attributable to Unitholders		1,449,410
Distribution to Unitholders		(103,279)
Undistributed income for the year		1,346,131

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

	Note	2013 \$
Current Assets		
Cash and cash equivalents	4	25,828,973
Loans receivable	5	5,990
Sundry debtors	6	75,672
Other current assets	7	119,949
Total Current Assets		26,030,584
Non Current Assets		
Investment Property	8	5,049,284
Total Assets		31,079,868
Current Liabilities		
Trade Creditors		110,262
Provisions	9	12,000
Total Current Liabilities		122,262
Non Current Liabilities		
Loans payable	10	1,269,147
Total Liabilities		1,391,409
Net Assets		29,688,459
Net Assets Attributable To Unitholders		
Unitholders' Funds	11	27,460,651
Undistributed Income		1,346,131
Foreign currency reserve account		881,677
Total Net Assets Attributable To Unitholders		29,688,459

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

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

**CONSOLIDATED STATEMENT IN CHANGES IN
NET ASSETS ATTRIBUTED TO UNITHOLDERS
FOR THE PERIOD ENDED 30 JUNE 2013**

Consolidated Entity	Note	Unitholders' Funds \$	Undistributed Income \$	Other Reserves \$	Total Equity \$
Net income attributable to Unitholders		-	1,449,410	-	1,449,410
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	1,449,410	-	1,449,410
Transactions with Unitholders in their capacity as Unitholders:					
Foreign currency reserve		-	-	881,677	881,677
Distributions	12	-	(103,279)	-	(103,279)
Units issued – applications	11	27,572,272	-	-	27,572,272
Capital raising costs	11	(111,621)	-	-	(111,621)
Total Transactions with Unitholders in their capacity as Unitholders		27,460,651	(103,279)	881,677	28,239,049
Balance as at 30 June 2013		27,460,651	1,346,131	881,677	29,688,459

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

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

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 30 JUNE 2013**

	<u>Note</u>	<u>2013</u> <u>\$</u>
Cash flows from operating activities		
Receipts from customers		126,969
Payments to suppliers		(640,752)
Interest received		547,071
Interest paid		(6,667)
Net cash provided by operating activities	14(ii)	<u>26,621</u>
 Cash flows from investing activities		
Deposit on properties		(119,949)
Purchase of investment properties		(5,049,284)
Net cash used in investing activities		<u>(5,169,233)</u>
 Cash flows from financing activities		
Proceeds from borrowings		1,263,157
Applications received from Unitholders		27,572,272
Unit raising costs		(111,621)
Distributions paid		(103,279)
Net cash provided by financing activities		<u>28,620,529</u>
 Net increase in cash and cash equivalents		23,477,917
Effect of foreign currency exchange rate changes on cash and cash equivalents		2,351,056
Cash at the end of the financial year	14(i)	<u>25,828,973</u>

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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 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.

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

Compliance with IFRS

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

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. All assets and liabilities have been presented in decreasing order of liquidity.

Critical accounting estimates

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

(b) Principles of Consolidation

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

(b) Principles of Consolidation (cont'd)

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Fund as at 30 June 2013 and the results of all controlled entities for the period ended 30 June 2013.

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 which it intends to elect to be treated as a Real Estate Investment Trust (REIT) for US tax purposes. In turn, Ozinus Realty, LLC owns 100% of the three 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.

Income and expenses

Property income and expenses from US investment properties are recognised on an accruals basis. Non-property income and expenses are also recognised on an accruals basis.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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.

(f) Distributions

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the period but not distributed at reporting date.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits held with an original maturity of three months or less, held at call with banks or financial institutions which the responsible entity uses in its day to day management of the Fund's cash requirements.

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

The distribution amount payable to Unitholders as at year end is recognised separately on the statement of financial position as Unitholders are presently entitled to the distributable income as at 30 June 2013 under the Fund's constitution.

(h) Investment Property

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

(h) Investment Property (cont'd)

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices will be served validly and within the appropriate time.

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).

(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.

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

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

(j) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the interest bearing liability using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest bearing liabilities are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in other income or other expenses.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

(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.

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

(l) Provisions

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

(m) Unitholder Funds

Units issued by the Fund are redeemable at the option of the unitholder ("puttable") as per the procedure outlined in the PDS dated 18 July 2013. 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 US subsidiary (Ozinus Realty, LLC) will elect 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 US REIT's taxable income or capital gains which are distributed to the US REIT's unitholders, provided that the US REIT complies with the requirements of the Code and maintains its REIT status.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

(n) Distributions and taxation (cont'd)

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% off the temporary difference between the carrying amount of the assets in the Statement of Financial Position and their associated US tax cost bases. At 30 June 2013 there was no difference between the carrying amount and the assets' US tax cost base.

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

(o) Determination of application and redemption prices

The application and redemption prices are determined by the value of net assets attributable to Unitholders which is the value of assets of the Fund less its liabilities other than liabilities representing rights attaching to units, adjusted for estimated 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 with the amount of GST included.

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

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

(q) Foreign currencies

Functional and presentation currency

The Fund's financial statements are measured using its functional currency, which is the currency of the primary economic environment in which the Fund operates. The financial statements are 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

(q) Foreign currencies (cont'd)

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

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

Consolidated Entities

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are taken to Unitholders' funds.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(r) Comparative information

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. Accordingly, these financial statements represent the first accounting period and include transactions that occurred between 2 March 2012 to 30 June 2013, a period of 16 months, as permitted under Section 323D of the *Corporations Act 2001*. Accordingly, as this is the first accounting period, no comparative data is available.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

(s) Adoption of new and amended accounting standards that are first operative at 30 June 2013

None of the new and amended accounting standards effective for the financial year beginning 1 July 2012 affected any amounts recorded in the current or prior year. AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of items of Other Comprehensive Income requires items of other comprehensive income to be presented separately for those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items. The adoption of AASB 2011-9 has no effect on the amounts recognised in current or prior years. However, it has resulted in changes to presentation of other comprehensive income in the Fund's financial statements.

(t) Accounting standards and interpretations issued but not operative at 30 June 2013

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

1. AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure (effective from 1 January 2015)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

As the Fund currently designate financial assets held at fair value through profit or loss on inception and does not have any financial assets held as available-for-sale and loans and receivables, the impact of the revised standard is expected to be minimal.

The Fund has decided not to early adopt AASB 9 as at 30 June 2013.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

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

**(t) Accounting standards and interpretations issued but not operative
at 30 June 2013 (cont'd)**

2. *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. As the Fund currently uses fair value measures for its financial instruments, the impact of the revised standard is expected to be minimal. However, application of the new standard will impact the nature and extent of information disclosed in the notes to the financial statement.

The Fund does not expect to adopt the new standard before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Other standards and interpretations, including *AASB 10 Consolidated Financial Statements*, *AASB 11 Joint Arrangements*, *AASB 12 Disclosure of Interests in Other Entities*, have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations will have no impact on the financial information presented.

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 in respect of estimates, which could have a material impact on the assets and liabilities in the financial year, are discussed below:

Income Tax

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

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

Investment Property

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

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) Credit risk
- (e) Fair values
- (f) Interest rate risk

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

	2013
	\$
Financial assets	
Cash and cash equivalents	25,828,973
Sundry Debtors	75,672
Other current assets	119,949
Non-current sundry debtors	5,990
	<hr/>
	26,030,584
	<hr/>
Financial liabilities	
(excluding net assets attributable to Unitholders)	
Trade Creditors	110,262
Borrowings	1,269,147
	<hr/>
	1,379,409
	<hr/>

(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).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(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:

	2013	
	\$	% of net assets
United States Dollars (USD)	21,195,948	71.39%

Market Derivatives

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

Sensitivity

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

	2013	
	+10% \$	-10% \$
Impact on profit before finance costs allocated to Unitholders	(\$1,274,603)	\$1,557,847
Impact on net assets attributable to Unitholders	(\$1,940,930)	\$2,372,247

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(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 the intended redemption offers set out in PDS dated 18 July 2013.

There is also a risk that, if a redemption offer is made, the Fund will be unable to meet redemption requests in a timely manner or that redemption requests are scaled back. In the event the Fund is wound up and required to dispose of assets to fund 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 Unit Holders and may reduce the Fund's NTA per Unit.

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

Maturity analysis

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

	< 6 Months \$'000	> 5 years \$'000	Carrying amount \$'000
Cash and cash equivalents	25,829	-	25,829
Financial assets held at fair value through profit and loss			
Receivables	76	-	76
Other financial assets	120	-	120
	26,025	-	26,025
Financial liabilities held at fair value through profit and loss			
Payables	(110)	-	(110)
Other financial liabilities	-	(1,269)	(1,269)
	(110)	(1,269)	(1,379)
Net maturities	25,915	(1,269)	24,646

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

Puttable financial instruments

Units issued by the Fund are redeemable at the option of the unitholder ("puttable") as per the procedure outlined in the PDS dated 18 July 2013. As the units satisfy all of the relevant criteria for recognition as puttable financial instruments under AASB 132, unitholders' funds are classified as equity (rather than financial liabilities). Consequently, the foregoing liquidity risk disclosures do not include contractual or expected cash flow information in respect of the units.

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

(d) Credit risk exposures

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

(e) Fair values of financial assets and liabilities

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(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:

	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	25,829	-	25,829	0.73%	Variable
Sundry debtors	-	76	76		
Other financial assets	-	120	120		
Total financial assets	25,829	196	26,025		
Financial Liabilities					
Trade creditors	-	(110)	(110)		
Borrowings	(1,269)	-	(1,269)	3.5%	Fixed
Total financial liabilities	(1,269)	(110)	(1,379)		
Net Financial Assets	24,560	86	24,646		

Sensitivity

If interest rates were to increase 100 basis points, or decrease 30 basis points (as this would mean the effective interest rate is zero), from variable rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and net assets attributable to Unitholders is as follows:

	2013	
	+100 bp \$	-100 bp \$
Impact on profit before finance costs allocated to Unitholders	273,558	105,215
Impact on net assets attributable to Unitholders	-	-

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

	Note	2013 \$
NOTE 4: CASH ASSETS		
Cash in bank Australian accounts AUD		8,417,183
Cash in bank Australian accounts USD	1 (p)	14,021,407
Cash in bank US accounts USD	1 (p)	3,390,383
Total Cash & Cash Equivalents		25,828,973
NOTE 5: LOANS RECEIVABLE		
Loan – Ozinus Services, LLC		5,990
NOTE 6: SUNDRY DEBTORS		
Rental income owing		34,381
GST refund		41,291
Total Sundry Debtors		75,672
NOTE 7: OTHER CURRENT ASSETS		
Escrow deposits		119,949
NOTE 8: INVESTMENT PROPERTY		
3350 Hanson St, Ft Myers <i>(Purchase price USD\$620,000)</i>	1(h)	678,337
13584 49th St Nth, Lago <i>(Purchase price USD\$2,900,000)</i>	1(h)	3,172,866
4700 110th Ave Nth, Pinellas Park <i>(Purchase price USD\$1,095,000)</i>	1(h)	1,198,081
Total Investment Property <i>(USD: \$4,615,000)</i>		5,049,284

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

	2013
	\$
NOTE 9: PROVISIONS	
Provision for audit fees	12,000
NOTE 10: LOANS PAYABLE	
Vendor loan	1,269,147
US\$1,160,000 pertaining to the purchase of 13584 49 th St Nth, Lago. 3.5% pa interest only until 26 April 2018, then 5% pa interest until 26 April 2023	
NOTE 11: UNITHOLDERS' FUNDS	
Opening balance	-
Applications	27,572,272
Capital raising costs	(111,621)
Closing Balance	27,460,651

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 Note 3(c), and in the PDS dated 18 July 2013.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

	<u>Note</u>	<u>2013</u> <u>\$</u>
NOTE 12: DISTRIBUTIONS		
Special distribution (31 October 2012)		103,279
NOTE 13: AUDITORS REMUNERATION		
Amounts paid and payable to Nexia Melbourne for audit and assurance services, including auditing the compliance plan		12,000
NOTE 14: NOTES TO THE STATEMENT OF CASH FLOWS		
i) Reconciliation of cash		
For the purpose of the statement of cash flows, cash includes cash on hand and at bank, short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:		
Cash in bank Australian accounts AUD		8,417,183
Cash in bank Australian accounts USD	1 (q)	14,021,407
Cash in bank US accounts USD	1 (q)	3,390,383
Total Cash & Cash Equivalents		25,828,973
ii) Reconciliation of net cash provided by operating activities to net operating profit		
Net operating profit		1,449,410
Add/(less) non-cash items:		
Unrealised foreign currency gain		(1,469,379)
Changes in assets and liabilities during the financial year:		
Increase in sundry debtors		(75,672)
Increase in trade creditors		110,262
Increase in provisions		12,000
Net cash provided by operating activities.		26,621

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

2013
\$

NOTE 15: PARENT ENTITY INFORMATION

(a) Parent Entity

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

(b) Financial Information

Passive Income (USA Commercial Property) Fund

Income statement information

Net profit attributable to Unitholders
of the parent entity

2,331,985

Comprehensive income information

Total comprehensive income attributable
to Unitholders of the parent entity

2,331,985

Statement of Financial Position Information

Current Assets

22,479,881

Non Current Assets

7,329,769

Current Liabilities

(120,293)

Net Assets

26,689,357

Equity attributable to unit holders
of the parent entity

 Contributed equity

27,572,272

 Retained profits

2,228,706

 Set up costs

(111,621)

Total Equity

29,689,357

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 16: CONTROLLED ENTITIES

Subsidiaries controlled by the Fund during the reporting period were:

	Country of Incorporation	% Owned
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%

NOTE 17: 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 financial period were:

Steve McKnight
Paul Harper
Tommy Senatore
Keith Woodhead
Haydn Wright

Key management personnel for the Fund also included Mr James Findlay, appointed on 7 March 2013 in the role 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
AND CONTROLLED ENTITIES
ARSN: 155 770 095**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 17: RELATED PARTY TRANSACTIONS (cont'd)

	2013
	<u>\$</u>
Responsible entity fees and other transactions	
Management fees paid by the Fund	335,863
Expense reimbursements	162,087
	<u>497,950</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 Loans

Loan to Ozinus Services, LLC – an entity controlled by the responsible entity. No interest is payable on this loan as it is treated as a temporary operational matter.

\$5,990

Related Party Investments Held By The Fund

The Fund has no investment in the responsible entity at year end.

Unit Holdings

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

Stephen McKnight – Number Units	328,374
Stephen McKnight – Units Value	<u>\$353,593</u>
James Findlay – Number Units	49,010
James Findlay – Units Value	<u>\$52,774</u>

During, or since the end of the financial period, none of the directors, or director related entities held units in the Fund, either 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013**

NOTE 18: COMMITMENTS AND CONTINGENCIES

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2013.

NOTE 19: SUBSEQUENT EVENTS

A new PDS was issued on 18 July 2013 at which time the Fund began accepting and processing new and top up applications. From 18 July to 1 September \$2,352,000 had been received in application monies and 2,078,941 new units issued.

Furthermore, the following properties had been acquired:

8344 E. RL Thornton Fwy, Dallas, Texas:	\$3,050,000
2853-2861 Work Dve, Fort Myers, Florida:	\$2,000,000
2148-2160 Fowler St, Fort Myers, Florida:	\$667,500

No other 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.

NOTE 20: 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
ARSN: 155 770 095**

DIRECTOR'S OF RESPONSIBLE ENTITY DECLARATION

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

1. The financial statements and notes as set out on pages 2 to 33, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001;
 - (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
 - (c) Give a true and fair view of the financial position of the Fund as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Stephen McKnight
Director
Melbourne: 26 September 2013

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

Report on the Financial Report

We have audited the accompanying financial report of Passive Income (USA Commercial Property) Fund (the "Scheme"), which comprises the statement of financial position as at 30 June 2013, the statement of 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 Limited (the "Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

Nexia Melbourne

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

Independent member of Nexia International



Auditor's Opinion

In our opinion:

- a. the financial report of Passive Income (USA Commercial Property) Fund is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Scheme's financial position as at 30 June 2013 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.


NEXIA MELBOURNE
ABN 16 847 721 257


GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

26 September 2013