

360 Capital Total Return Fund

For the half year ended 31 December 2017

Comprises the stapling of 360 Capital Total Return Passive Fund (ARSN 602 304 432) and 360 Capital Total Return Active Fund (ARSN 602 303 613)

This preliminary financial report is given to the ASX in accordance with Listing Rule 4.2.A. This report should be read in conjunction with the Interim Financial Report for the half year ended 31 December 2017. It is also recommended that the Interim Financial Report be considered together with any public announcements made by the Fund. Reference should also be made to the statement of significant accounting policies as outlined in the 30 June 2017 Annual Report. The Interim Financial Report for the half year ended 31 December 2017 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2017 – 31 December 2017

Prior corresponding period: 1 July 2016 – 31 December 2016

Results announcement to the market:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	1,110	1,478	(368)	(24.9)
Profit attributable to stapled securityholders for the half year	671	483	188	38.9
Operating profit ¹	4,173	1,226	2,947	240.4

1 Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash items and significant items. The Directors consider operating profit to reflect the core earnings of the Fund. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Fund's statutory profit to operating earnings is provided in Note 2 of the Interim Financial Report.

	31 Dec 2017 Cents per security	31 Dec 2016 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	1.0	1.6	(0.6)	(37.5)
Operating profit per security	6.3	4.0	2.3	57.5

360 Capital Total Return Fund



For the half year ended 31 December 2017

Comprises the stapling of 360 Capital Total Return Passive Fund (ARSN 602 304 432) and 360 Capital Total Return Active Fund (ARSN 602 303 613)

Distributions:

	Cents per security	Total amount paid \$'000	Date of payment
September 2017 quarter distribution	2.25	1,483	26 October 2017
December 2017 quarter distribution	2.25	1,482	25 January 2018
Total distribution for the period ended 31 December 2017	4.50	2,965	
September 2016 quarter distribution	1.90	583	27 October 2016
December 2016 quarter distribution	1.90	582	25 January 2017
Total distribution for the period ended 31 December 2016	3.80	1,165	

Net tangible asset per security:

	31 Dec 2017 \$	31 Dec 2016 \$
NTA per security	1.21	1.31

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

360 CAPITAL TOTAL RETURN FUND

360 CAPITAL TOTAL RETURN FUND COMPRISES 360 CAPITAL TOTAL RETURN PASSIVE FUND
(ARSN 602 304 432) AND 360 CAPITAL TOTAL RETURN ACTIVE FUND (ARSN 602 303 613)

360 CAPITAL TOTAL RETURN FUND

Interim Financial Report For the half year ended 31 December 2017

360 Capital Total Return Fund comprises 360 Capital Total Return Passive Fund (ARSN 602 304 432) and its controlled entities and 360 Capital Total Return Active Fund (ARSN 602 303 613).

Contents	Page
Responsible entity report	2
Auditor's independence declaration	6
Consolidated interim statement of profit or loss and other comprehensive income	7
Consolidated interim statement of financial position	8
Consolidated interim statement of changes in equity	9
Consolidated interim statement of cash flows	10
Condensed notes to the interim financial report	11
Directors' declaration	19
Independent auditor's review report	20

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for 360 Capital Total Return Fund for the year ended 30 June 2017 and any public announcements made by 360 Capital Total Return Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

360 Capital Total Return Fund
Responsible Entity report
For the half year ended 31 December 2017

The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report together with the interim financial report of 360 Capital Total Return Fund (the Fund or consolidated entity) (ASX: TOT) for the half year ended 31 December 2017. 360 Capital Total Return Fund comprises 360 Capital Total Return Passive Fund (Passive Fund) (Parent Entity) and its controlled entities and 360 Capital Total Return Active Fund (Active Fund).

Directors

The following persons were Directors of 360 Capital FM Limited during the half year up to the date of this report, unless otherwise stated:

David van Aanholt (Chairman)
Tony Robert Pitt
William John Ballhausen
Graham Ephraim Lenzner
Andrew Graeme Moffat

Principal activities

The Fund listed on the ASX in April 2015 as a unique, opportunistic fund investing in various forms of Australian real estate assets. The Fund's objective is to deliver a total return of 12.0% plus per annum through disciplined investment in a broad range of real estate opportunities including:

- repositioning assets, including short term re-leasing positions and refurbishment projects;
- investing in investment properties that generate rental income;
- underwriting potential capital raisings in the real estate sector including syndicates and both unlisted and listed funds;
- taking strategic positions in unlisted funds, including providing liquidity solutions to existing unitholders of those funds;
- capitalising on mispriced trading opportunities within ASX listed AREIT sector;
- participating in mergers and acquisition activities occurring within the Australian real estate markets; and
- participating in special situations which arise from time to time within Australian real estate markets including distressed sales, investments with restructuring potential, and providing loans.

Operating and financial review

Financial results

The Fund's statutory net profit attributable to stapled securityholders for the half year ended 31 December 2017 was \$0.7 million (December 2016: \$0.5 million). The Fund's statutory balance sheet as at 31 December 2017 had gross assets of \$81.2 million (June 2017: \$85.2 million).

The Fund's operating profit (profit before specific non-cash and significant items) for the half year ended 31 December 2017 was \$4.2 million (December 2016: \$1.2 million).

Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash items and significant items. The Responsible Entity considers operating profit to reflect the core earnings of the Fund and it is used as a guide to assess the Fund's ability to pay distributions to unitholders.

360 Capital Total Return Fund
Responsible Entity report
For the half year ended 31 December 2017

Operating and financial review (continued)

The following table summarises key reconciling items between statutory profit attributable to the unitholders of the Fund and operating profit. The operating profit information in the table has not been subject to any specific review procedures by the Fund's auditor but has been extracted from Note 2: Segment reporting of the financial statements for the half year ended 31 December 2017, which have been subject to review; refer to page 20 for the auditor's report on the financial statements.

	31 December 2017 \$'000	31 December 2016 \$'000
Profit attributable to stapled securityholders of the Fund	671	483
Specific non-cash items		
Net gain on disposal of financial assets	(276)	-
Net (gain)/loss on fair value of financial assets	(7)	743
Significant items		
Distributable gain on disposal of financial assets ¹	3,752	-
Acquisition and transaction costs	33	-
Operating profit (profit before specific non-cash and significant items)	4,173	1,226

Strategic fund investment

In July 2017 the Fund disposed of its investment in Industria REIT (ASX: IDR), for \$63.4 million, realising a gain for the period of \$275,506 from the book value at 30 June 2017 and delivering unitholders with an Internal Rate of Return of 18.3% p.a. over the two-year investment horizon.

Investment Focus

Given the Responsible Entity's opinion that we are entering the late stage of the real estate cycle, TOT is capitalising on its broad mandate and focusing on real estate debt investment which it believes provides higher risk adjusted returns than equity investing.

Over the past 7 months, through the Fund, 360 Capital Group has reviewed over \$1.0 billion in transactions, and the Fund continues to identify a significant and growing pipeline of debt investment opportunities. These are predominately senior loans for development of both commercial and residential property projects, with a target loan size of \$5.0 to \$50.0 million.

Current Loan Portfolio

The Fund has committed to deploying approximately \$36.5 million across three separate loan investments comprising:

- a \$7.7 million junior debt facility on a commercial development in Perth which has a 15-year pre-committed lease, on a loan term of 24 months at an interest rate of 15% per annum
- a \$9.3 million senior debt facility on a commercial medical development in Melbourne which is 85% pre-committed, on a loan term of 15 months at an interest rate of 12% per annum
- a \$19.5 million senior debt facility on a residential development in Sydney. This loan will attract a 12% interest rate over an 18-month term

The Fund has a further \$76.0 million of transactions currently in various stages of due diligence with either terms agreed or terms issued.

1. Distributable gain represents the amount available for distribution from the realised gain on disposal of the Fund's IDR investment.

360 Capital Total Return Fund
Responsible Entity report
For the half year ended 31 December 2017

Debt origination and management joint venture

The Fund holds a 50% stake in AMF Finance (AMF). AMF provides alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT and other private client development funding. This revenue stream will add to the Active Fund's earnings.

Distributions

Total distributions paid or payable to unitholders by the Fund for the half year ended 31 December 2017:

	31 December 2017 \$'000	31 December 2016 \$'000
September 2016 quarterly distribution 1.90 cps paid on 27 October 2016	-	583
December 2016 quarterly distribution 1.90 cps paid on 25 January 2017	-	582
September 2017 quarterly distribution 2.25 cps paid on 26 October 2017	1,483	-
December 2017 quarterly distribution 2.25 cps paid on 25 January 2018	1,482	-
	2,965	1,165

Buy back arrangements

As detailed in the Fund constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from securityholders. During the half year ended 31 December 2017 a total of 71,133 units were bought back and cancelled (December 2016: Nil).

Number of interests on issue

As at 31 December 2017, the number of securities on issue in the Fund was 65,853,647 (June 2017: 65,924,780).

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 half year under review other than those listed above or elsewhere in the Responsible Entity's report.

Likely developments and expected results of operations

The Fund will continue to invest in real estate based activities and seek to actively manage a diversified portfolio of investments as outlined in the Product Disclosure Statement (PDS) dated 17 March 2015.

Events subsequent to balance date

No circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Responsible Entity's report for the half year ended 31 December 2017.

360 Capital Total Return Fund
Responsible Entity report
For the half year ended 31 December 2017

Rounding of amounts

360 Capital Total Return Fund is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC). In accordance with that Instrument, amounts in the interim financial report and Responsible Entity report have been rounded to the nearest thousand dollars, unless otherwise stated.

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



David van Aanholt
Chairman



Tony Robert Pitt
Managing Director

Sydney
28 February 2018

Auditor's Independence Declaration to the Directors of 360 Capital FM Limited as Responsible Entity for 360 Capital Total Return Passive Fund

As lead auditor for the review of 360 Capital Total Return Passive Fund for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of 360 Capital Total Return Passive Fund and the entities it controlled during the financial period.



Ernst & Young



Mark Conroy
Partner
28 February 2018

360 Capital Total Return Fund

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

		31 December 2017 \$'000	31 December 2016 \$'000
	Note		
Revenue from continuing operations			
Distributions from property funds		3	1,432
Finance revenue		766	14
Total revenue from continuing operations		769	1,446
Other income			
Net gain on fair value of financial assets	6	7	-
Net gain on disposal of financial assets	6	276	32
Share of equity accounted profits	7	58	-
Total other income		341	32
Total revenue from continuing operations and other income		1,110	1,478
Administration expenses		123	108
Management fees	11	283	144
Acquisition costs		33	-
Net loss on fair value of financial assets		-	743
Profit from continuing operations		671	483
Profit for the period		671	483
Total comprehensive income for the period		671	483
Total comprehensive income attributable to:			
Unitholders of 360 Capital Total Return Passive Fund		647	546
Unitholders of 360 Capital Total Return Active Fund		24	(63)
Profit attributable to the stapled securityholders		671	483
Profit for the period		671	483
Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		cents	cents
Basic and diluted earnings per security	4	1.0	1.6

The above consolidated interim statement of profit or loss and other comprehensive income should be read with the accompanying condensed notes.

360 Capital Total Return Fund
Consolidated interim statement of financial position
As at 31 December 2017

		31 December 2017 \$'000	30 June 2017 \$'000
	Note		
Current assets			
Cash and cash equivalents	10	72,742	19,858
Receivables		70	2,204
Financial assets at fair value through profit or loss	6	-	63,091
Total current assets		72,812	85,153
Non-current assets			
Loans receivable	5	8,190	-
Financial assets at fair value through profit or loss	6	95	-
Investments equity accounted	7	58	-
Total non-current assets		8,343	-
Total assets		81,155	85,153
Current liabilities			
Trade and other payables		197	88
Distribution payable		1,482	3,164
Total current liabilities		1,679	3,252
Total liabilities		1,679	3,252
Net assets		79,476	81,901
Equity			
Issued capital – Passive Fund units	8	88,105	88,217
Issued capital – Active Fund units	8	11,957	11,976
Accumulated losses		(20,586)	(18,292)
Total equity attributable to stapled securityholders		79,476	81,901
Total equity		79,476	81,901

The above consolidated interim statement of financial position should be read with the accompanying condensed notes.

360 Capital Total Return Fund

Consolidated interim statement of changes in equity

For the half year ended 31 December 2017

		Issued capital - Passive Fund units \$'000	Issued capital - Active Fund units \$'000	Accumulated losses - Passive Fund units \$'000	Accumulated losses - Active Fund units \$'000	Total equity attributable to stapled Securityholders \$'000	Total equity \$'000
	Note						
Balance at 1 July 2017		88,217	11,976	(17,942)	(350)	81,901	81,901
Total comprehensive income for the period		-	-	647	24	671	671
Transactions with Securityholders in their capacity as Securityholders							
Security buy back	8	(72)	(12)	-	-	(84)	(84)
Equity raising transaction costs	8	(40)	(7)	-	-	(47)	(47)
Distributions	3	-	-	(2,965)	-	(2,965)	(2,965)
		(112)	(19)	(2,965)	-	(3,096)	(3,096)
Balance at 31 December 2017		88,105	11,957	(20,260)	(326)	79,476	79,476
Balance at 1 July 2016		54,679	6,200	(19,860)	(220)	40,799	40,799
Total comprehensive income for the period		-	-	546	(63)	483	483
Transactions with Securityholders in their capacity as Securityholders							
Distributions	3	-	-	(1,165)	-	(1,165)	(1,165)
		-	-	(1,165)	-	(1,165)	(1,165)
Balance at 31 December 2016		54,679	6,200	(20,479)	(283)	40,117	40,117

The above consolidated interim statement of changes in equity should be read with the accompanying condensed notes.

360 Capital Total Return Fund
Consolidated interim statement of cash flows
For the half year ended 31 December 2017

		31 December 2017 \$'000	31 December 2016 \$'000
	Note		
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		-	40
Cash payments to suppliers (inclusive of GST)		(341)	(289)
Distributions received		2,205	1,449
Proceeds from disposal of financial assets		-	32
Finance revenue		681	14
Net cash inflows from operating activities	10 (b)	2,545	1,246
Cash flows from investing activities			
Payment for financial assets		(89)	-
Proceeds from disposal of financial assets		63,335	416
Loans provided		(8,128)	-
Net cash inflows from investing activities		55,118	416
Cash flows from financing activities			
Payments for security buy backs		(84)	-
Payment of transaction costs to issue capital		(47)	-
Distributions paid to stapled securityholders		(4,648)	(1,043)
Net cash outflows from financing activities		(4,779)	(1,043)
Net increase in cash and cash equivalents		52,884	619
Cash and cash equivalents at the beginning of the period		19,858	1,094
Cash and cash equivalents at the end of the period	10 (a)	72,742	1,713

The above consolidated interim statement of cash flows should be read with the accompanying condensed notes.

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 1: Statement of significant accounting policies

a) Reporting entity

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report of 360 Capital Total Return Fund (the Fund) comprises the consolidated financial statements of 360 Capital Total Return Passive Fund (Passive Fund) and its controlled entities and 360 Capital Total Return Active Fund (Active Fund). A 360 Capital Total Return Fund stapled security comprises one 360 Capital Total Return Passive Fund unit stapled to one 360 Capital Total Return Active Fund unit to create a single listed entity traded on the ASX. The Passive Fund or the Active Fund cannot be traded or dealt with separately.

The Responsible Entity of the Fund is 360 Capital FM Limited. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Fund are disclosed in the Responsible Entity's report.

The interim financial report was authorised for issue by the Board on 28 February 2018.

The interim financial report does not include all of the notes and information required for a full annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by 360 Capital Total Return Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the 360 Capital Total Return Fund for the year ended 30 June 2017 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia.

The accounting policies adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

b) Basis of preparation

Basis of preparation

360 Capital Total Return Fund and its consolidated entities are for-profit entities for the purpose of preparing the interim financial report.

The interim financial report has been prepared on accruals basis and on the historical cost basis except for financial assets and financial liabilities, which are stated at their fair value.

The interim financial report is presented in Australian dollars.

The Fund is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC). In accordance with that Instrument, amounts in the interim financial report and Responsible Entity report have been rounded to the nearest thousand dollars, unless otherwise stated.

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 2: Segment reporting

The Fund invests solely in the property sector within Australia.

The Chief Operating Decision Maker being, the Managing Director of the Responsible Entity, monitors the performance and results of the Fund at a total Fund level, as a result the Fund has only one segment. Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for specific non-cash items and other significant items which management consider to reflect the core earnings of the Fund and is used as a guide to assess the Fund's ability to pay distributions to stapled securityholders.

The following table summarises key reconciling items between statutory profit attributable to the unitholders of the Fund and operating profit.

	31 December 2017 \$'000	31 December 2016 \$'000
Profit attributable to stapled securityholders of the Fund	671	483
Specific non-cash items		
Net gain on disposal of financial assets	(276)	-
Net (gain)/loss on fair value of financial assets	(7)	743
Significant items		
Distributable gain on disposal of financial assets ¹	3,752	-
Acquisition and transaction costs	33	-
Operating profit (profit before specific non-cash and significant items)	4,173	1,226
Weighted average number of units ('000)	65,873	30,663
Operating profit per stapled security (profit before specific non-cash and significant items) (EPS) – cents	6.3	4.0

1. Distributable gain represents the amount available for distribution from the realised gain on disposal of the Fund's IDR investment.

Note 3: Distributions

The Active Fund did not declare any distributions during the half year or up to the date of this report (December 2016: Nil). Distributions declared by the Passive Fund directly to securityholders during the half year were as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
September 2016 quarterly distribution 1.90 cps paid on 27 October 2016	-	583
December 2016 quarterly distribution 1.90 cps paid on 25 January 2017	-	582
September 2017 quarterly distribution 2.25 cps paid on 26 October 2017	1,483	-
December 2017 quarterly distribution 2.25 cps paid on 25 January 2018	1,482	-
	2,965	1,165

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 4: Earnings per stapled security

	31 December 2017	31 December 2016
	¢	¢
Basic and diluted earnings per stapled security	1.0	1.6
	\$'000	\$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Total Return Fund		
used in calculating earnings per stapled security	671	483
	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities – basic and diluted	65,873	30,663

Note 5: Loans receivable

	31 December 2017	30 June 2017
	\$'000	\$'000
Non-current		
Loans to external entities	8,190	-
Total	8,190	-

Loans receivable are initially recognised at fair value and subsequently carried at amortised cost which is consistent with other receivables in the consolidated entity.

Movements in the carrying value during the period are as follows:

	31 December 2017	30 June 2017
	\$'000	\$'000
Balance at 1 July	-	-
Loans drawn during the period	8,128	-
Interest capitalised during the period	62	-
Closing balance	8,190	-

Note 6: Financial assets at fair value through profit or loss

	31 December 2017	30 June 2017
	\$'000	\$'000
Current		
Units in listed funds managed externally	-	63,091
Total	-	63,091
Non-current		
Units in listed funds managed externally	95	-
Total	95	-

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 6: Financial assets at fair value through profit or loss (continued)

In July 2017 the Fund disposed of its investment in Industria REIT (ASX: IDR), for \$63.4 million, realising a gain of \$275,506 for the period from the book value at 30 June 2017. At the balance date the Fund holds a small investment in two listed property funds.

Movements in the carrying value during the period are as follows:

	31 December 2017 \$'000	30 June 2017 \$'000
Balance at 1 July	63,091	38,751
Financial assets acquired – on market	88	21,145
Financial assets disposed – on market	(63,367)	(448)
Net gain on disposal of financial assets	276	-
Fair value adjustment of financial assets	7	3,643
Closing balance	95	63,091

Note 7: Investments accounted for using the equity method

	31 December 2017 %	30 June 2017 %	31 December 2017 \$'000	30 June 2017 \$'000
Joint venture				
Australian Mezzanine Finance Pty Limited	50.0	50.0	58	-

Reconciliation of movements in equity accounted investments for the half year are as follows:

	31 December 2017 \$'000	30 June 2017 \$'000
Australian Mezzanine Finance Pty Limited		
Opening balance – 1 July	-	-
Equity accounted profit for the year	58	-
Closing Balance	58	-

Note 8: Equity

(a) Issued capital

	31 December 2017 000's	30 June 2017 000's
360 Capital Total Return Passive Fund - Ordinary securities issued	65,854	65,925
360 Capital Total Return Active Fund - Ordinary securities issued	65,854	65,925
	\$'000	\$'000
360 Capital Total Return Passive Fund - Ordinary securities issued	88,105	88,217
360 Capital Total Return Active Fund - Ordinary securities issued	11,957	11,976
Total issued capital	100,062	100,193

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 8: Equity (continued)

(b) Movements in issued capital

Movement during the period in the number of issued securities of the Fund was as follows:

	31 December 2017 000's	30 June 2017 000's
Opening balance at 1 July	65,925	30,663
Security buy back	(71)	-
Institutional Placement and Accelerated Entitlement Offer – 21 April 2017	-	19,751
Retail Entitlement Offer – 9 May 2017	-	15,511
Closing balance	65,854	65,925

Movement during the half year in the value of issued securities of the Fund was as follows:

	31 December 2017 \$'000	30 June 2017 \$'000
Opening balance at 1 July	100,193	60,879
Security buy back	(84)	-
Institutional Placement and Accelerated Entitlement Offer – 21 April 2017	-	22,714
Retail Entitlement Offer – 9 May 2017	-	17,837
Transaction costs incurred in issuing capital	(47)	(1,237)
Closing balance	100,062	100,193

Note 9: Other financial assets and liabilities

Fair values

The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 31 December 2017.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows and based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 9: Other financial assets and liabilities (continued)

At balance date, the Fund held the following classes of financial instruments measured at fair value:

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss as at 31 December 2017	95	95	-	-
Financial assets at fair value through profit or loss as at 30 June 2017	63,091	63,091	-	-

There were no transfers between Level 1 and Level 2 fair value measurements, and no other transfers into or out of Level 3 fair value measurements. Fair value hierarchy levels are reviewed on an annual basis unless there is a significant change in circumstances indicating that the classification may have changed.

Valuation techniques

Fair value profit or loss financial assets

For fair value profit or loss financial assets, the Fund invests in listed investments. The value of the investments in the listed market is stated at the unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments.

Note 10: Cash flow information

(a) Reconciliation of cash and cash equivalents

	31 December 2017 \$'000	30 June 2017 \$'000
Cash at bank	72,742	19,858
Cash and cash equivalents in the statement of cash flows	72,742	19,858

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 10: Cash flow information (continued)

(b) Reconciliation of net profit to net cash inflows from operating activities

	31 December 2017 \$'000	31 December 2016 \$'000
Net profit for the period	671	483
<u>Adjustment for:</u>		
Net gain on disposal of financial assets	(276)	-
Net (gain)/loss in fair value of financial assets	(7)	743
Net increase in equity accounted investments	(58)	-
Capitalised interest on loans receivable	(62)	-
Acquisition and transaction costs	33	-
<u>Change in assets and liabilities</u>		
Decrease in receivables	2,134	40
Increase/(decrease) in payables	110	(20)
Net cash inflows from operating activities	2,545	1,246

Note 11: Related party transactions

Responsible entity

The Responsible Entity of the Fund is 360 Capital FM Limited. The immediate parent entity of the Responsible Entity is Trafalgar Corporate Pty Limited (ABN 11 080 518 243), and its ultimate parent entity is 360 Capital Group Limited (ABN 18 113 569 136).

Responsible Entity's fees and other transactions

Under the terms of the constitution, the Responsible Entity is entitled to receive fees in accordance with the product disclosure statement.

	31 December 2017 \$	31 December 2016 \$
Fees for the year paid/payable by the Fund:		
Management fees	278,223	141,725
Fund recoveries	4,422	2,403
	282,645	144,128

Management Fee: The Responsible Entity is entitled to a Management Fee of 0.65% p.a. of the gross value of the assets of the Fund during the relevant year for its role in managing and administering the Fund.

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 11: Related party transactions (continued)

Performance Fee: The Responsible Entity is entitled to a Performance Fee of 20% of any total return in excess of 12% p.a. The calculation of total return is based on actual distributions paid to stapled securityholders during the relevant financial year plus any increase in the trading price of Stapled Securities in the relevant financial year. The Performance Fee is payable yearly in arrears after the end of the relevant financial year.

Acquisition Fee: The Responsible Entity will be entitled to an acquisition fee of up to 1.0% of the total purchase price of an investment of the Fund. The acquisition fee is payable upon the completion of the relevant acquisition.

Disposal Fee: The Responsible Entity will be entitled to a disposal fee of up to 1.0% of the total sale price of an investment sold by the Fund. The disposal fee is payable upon the completion of the relevant sale.

During the current period and the year ended 30 June 2017 the Responsible Entity agreed to waive its entitlement to acquisition and disposal fees totaling \$825,981 associated with the acquisition and sale of IDR units, on the basis of the Fund's continuing operations in future periods.

Unitholdings

Units held by the Responsible Entity and other Funds managed by and related to the Responsible Entity held stapled securities in the Fund as follows:

	31 December 2017	30 June 2017
360 Capital Property Limited¹		
Number of stapled securities held	15,621,124	15,621,124
Interest % held	23.7%	23.7%
Distributions paid/payable by the Fund (\$)	702,951	1,174,431

1. On 21 June 2017, 360 Capital Property Limited sold its beneficial interest in 360 Capital Total Return Passive Fund units to 360 Capital Diversified Property Fund, a wholly owned subsidiary of the 360 Capital Investment Trust.

Interest in Joint venture

The Fund holds a 50% stake of Australian Mezzanine Finance Pty Limited (AMF or AMF Finance). AMF provides alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT and other private client development funding. The other 50% stake is held by 360 Capital Group.

Note 12: Events subsequent to balance date

No circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

360 Capital Total Return Fund

Directors' declaration

For the half year ended 31 December 2017

In the opinion of the Directors of 360 Capital FM Limited:

- 1) The interim consolidated financial statements and notes that are set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- 2) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



David van Aanholt
Chairman



Tony Robert Pitt
Managing Director

Sydney
28 February 2018

Independent Auditor's Review Report to the Unitholders of 360 Capital Total Return Passive Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of 360 Capital Total Return Passive Fund (the "Fund") and its subsidiaries (collectively the "consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 of 360 Capital FM Limited, the Responsible Entity of the consolidated entity.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Fund as at 31 December 2017 and of its consolidated financial 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*.

Directors' Responsibility for the Half-Year Financial Report

The directors of 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 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 Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, 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 other 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Mark Conroy
Partner
Sydney
28 February 2018