

360 CAPITAL TOTAL RETURN ACTIVE FUND

ARSN 602 303 613

Interim Financial Report For the half year ended 31 December 2017

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360 Capital Total Return Active 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 Active Fund ARSN 602 303 613 (the Fund) (Active Fund) for the half year ended 31 December 2017.

The Active Fund forms part of the stapled entity, 360 Capital Total Return Fund (Stapled Fund) (ASX: TOT) comprising 360 Capital Total Return Passive Fund (Passive Fund) (Parent Entity) ARSN 602 304 432 and its controlled entities and 360 Capital Total Return 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 Stapled 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 unitholders for the period ended 31 December 2017 was \$24,416 (December 2016: loss of \$63,194).

The Fund's statutory balance sheet as at 31 December 2017 had total assets of \$11.8 million (June 2017: \$11.7 million).

Dividends and distributions

The Fund did not declare any distributions during the half year ended 31 December 2017 (December 2016: Nil).

360 Capital Total Return Active 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.

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 units 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 360 Capital Total Return Active Fund that occurred during the period 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 actively manage a diversified portfolio of investments as outlined in the Stapled Fund's 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 4 and forms part of the Responsible Entity's report for the period ended 31 December 2017.

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 Active Fund

As lead auditor for the review of 360 Capital Total Return Active 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.



Ernst & Young



Mark Conroy
Partner
28 February 2018

360 Capital Total Return Active Fund

Interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

		31 December 2017 \$	31 December 2016 \$
	Note		
Revenue from continuing operations			
Finance revenue		54,170	384
Total revenue from continuing operations		54,170	384
Other income			
Share of equity accounted profits		57,954	-
Total other income		57,954	-
Total revenue from continuing operations and other income		112,124	384
Administration expenses		46,368	38,898
Management fees	8	41,340	24,680
Profit/(Loss) from continuing operations		24,416	(63,194)
Profit/(Loss) for the period		24,416	(63,194)
Total comprehensive income/(loss) for the period		24,416	(63,194)
Total comprehensive loss attributable to:			
Unitholders of 360 Capital Total Return Active Fund		24,416	(63,194)
Profit/(Loss) attributable to the unitholders		24,416	(63,194)
Profit/(Loss) for the period		24,416	(63,194)
Loss per unit for continuing operations			
attributable to the unitholders of 360 Capital Total Return Active Fund		Cents	Cents
Basic and diluted loss per security	3	0.0	(0.2)

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

360 Capital Total Return Active Fund
Interim statement of financial position
As at 31 December 2017

		31 December 2017	30 June 2017
	Note	\$	\$
Current assets			
Cash and cash equivalents	7	6,073,314	6,414,740
Receivables		5,674,570	5,236,294
Total current assets		11,747,884	11,651,034
Non-current assets			
Investments equity accounted	4	57,954	-
Total non-current assets		57,954	-
Total assets		11,805,838	11,651,034
Current liabilities			
Trade and other payables		175,493	26,267
Total current liabilities		175,493	26,267
Total liabilities		175,493	26,267
Net assets		11,630,346	11,624,767
Equity			
Issued capital – ordinary units	5	11,955,792	11,974,629
Accumulated losses		(325,446)	(349,862)
Total equity attributable to unitholders		11,630,346	11,624,767
Total equity		11,630,346	11,624,767

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

360 Capital Total Return Active Fund
Interim statement of changes in equity
For the half year ended 31 December 2017

		Issued capital \$	Accumulated losses \$	Total equity attributable to stapled Securityholders \$	Total equity \$
	Note				
Balance at 1 July 2017		11,974,629	(349,862)	11,624,767	11,624,767
Total comprehensive income for the year		-	24,416	24,416	24,416
Transactions with unitholders in their capacity as unitholders					
Unit buy back	5	(11,887)	-	(11,887)	(11,887)
Equity raising transaction costs	5	(6,950)	-	(6,950)	(6,950)
		(18,837)	-	(18,837)	(18,837)
Balance at 31 December 2017		11,955,792	(325,446)	11,630,346	11,630,346
Balance at 1 July 2016		6,199,072	(219,879)	5,979,193	5,979,193
Total comprehensive loss for the year		-	(63,194)	(63,194)	(63,194)
Transactions with unitholders in their capacity as unitholders					
		-	-	-	-
Balance at 31 December 2016		6,199,072	(283,073)	5,915,999	5,915,999

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

360 Capital Total Return Active Fund**Interim statement of cash flows****For the half year ended 31 December 2017**

		31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Cash payments to suppliers (inclusive of GST)		61,419	(70,563)
Finance revenue		54,170	384
Net cash inflows/(outflows) from operating activities	7 (b)	115,589	(70,179)
Cash flows from financing activities			
Payments for security buy backs		(11,887)	-
Payments for loan to related party		(438,178)	-
Proceeds from loan to related party		-	186,618
Payment of transaction costs to issue capital		(6,950)	-
Net cash (outflows)/inflows from financing activities		(457,015)	186,618
Net (decrease)/increase in cash and cash equivalents		(341,426)	116,439
Cash and cash equivalents at the beginning of the period		6,414,740	45,226
Cash and cash equivalents at the end of the period	7 (a)	6,073,314	161,665

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

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

Note 1: Basis of preparation

a) Reporting entity

The Active Fund forms part of the stapled entity, 360 Capital Total Return Fund (ASX: TOT) comprising 360 Capital Total Return Passive Fund and its controlled entities and 360 Capital Total Return Active Fund.

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 Active 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 Active Fund is a for-profit entity 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, which are stated at their fair value.

The interim financial report is presented in Australian dollars.

Note 2: Distributions

The Fund did not declare or pay any distributions during the period ended 31 December 2017 (December 2016: Nil).

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

Note 3: Earnings per unit

	31 December 2017	31 December 2016
	¢	¢
Basic and diluted loss per stapled security	0.0	(0.2)
	\$	\$
Basic and diluted profit/(loss)		
Profit/(loss) attributable to unitholders of 360 Capital Total Return Active Fund		
used in calculating loss per unit	24,416	(63,194)
	units	units
Weighted average number of units used as a denominator		
Weighted average number of units – basic and diluted	65,872,750	30,662,688

Note 4: Investments accounted for using the equity method

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

Note 5: Equity

(a) Issued capital

	31 December 2017	30 June 2017
	units	units
360 Capital Total Return Active Fund - Ordinary units issued	65,853,647	65,924,780
	\$	\$
360 Capital Total Return Active Fund - Ordinary units issued	11,955,792	11,974,629
Total issued capital	11,955,792	11,974,629

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

Note 5: Equity (continued)

(b) Movements in issued capital

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

	31 December 2017 units	30 June 2017 units
Opening balance	65,924,780	30,662,688
Unit buy back	(71,133)	-
Issue of units - Entitlement Offer	-	35,262,092
Closing balance	65,853,647	65,924,780

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

	31 December 2017 \$	30 June 2017 \$
Opening balance	11,974,629	6,199,072
Unit buy back	(11,887)	-
Issue of units – Entitlement offer	-	5,961,057
Transaction costs incurred in issuing capital	(6,950)	(185,500)
Closing balance	11,955,792	11,974,629

Note 6: 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 Active Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2017

Note 7: Cash flow information

(a) Reconciliation of cash and cash equivalents

	31 December 2017 \$	30 June 2017 \$
Cash at bank	6,073,314	6,414,740
Cash and cash equivalents in the statement of cash flows	6,073,314	6,414,740

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

	31 December 2017 \$	31 December 2016 \$
Net profit/(loss) for the period	24,416	(63,194)
<u>Adjustment for:</u>		
Net increase in equity accounted investments	(57,954)	-
<u>Change in assets and liabilities</u>		
Decrease/(increase) in receivables	(98)	(8,259)
(Decrease)/increase in payables	149,225	1,275
Net cash inflows/(outflows) from operating activities	115,589	(70,179)

Note 8: 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 of the Fund	39,129	23,484
Fund recoveries	2,211	1,196
	41,340	24,680

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.

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 Unitholders during the relevant financial year plus any increase in the trading price of Stapled Units in the relevant financial year. The Performance Fee is payable yearly in arrears after the end of the relevant financial year.

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

Note 8: Related party transactions (continued)

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.

Related Party Loan

The Active Fund has a loan with the Passive Fund. The balance of the loan at 31 December 2017 is \$5,668,762 (December 2016: \$5,758,536). There is no interest charged on the loan.

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 9: 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 Active 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 financial statements and notes that are set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the 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 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 Active Fund

Report on the Half-Year Financial Report

Conclusion

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

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 financial position of the Fund as at 31 December 2017 and of its 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 financial position as at 31 December 2017 and its 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