

360 Capital Industrial Fund

For the half year ended 31 December 2014

360 Capital Industrial Fund comprises 360 Capital Industrial Fund (ARSN 099 680 252) and its controlled entities

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 2014. 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 2014 Annual Report. The Interim Financial Report for the half year ended 31 December 2014 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2014 – 31 December 2014

Prior corresponding period: 1 July 2013 – 31 December 2013

Results announcement to the market:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	28,564	18,691	9,873	52.8
Profit attributable to members for the half year	14,743	8,550	6,193	72.4
Operating profit*	11,526	9,809	1,717	17.5

*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 7 of the Interim Financial Report.

	31 Dec 2014 Cents per unit	31 Dec 2013 Cents per unit	Movement Cents per unit	Movement %
Earnings per unit – Basic and Diluted	12.8	9.1	3.7	40.7
Operating profit per unit	10.0	10.5	(0.5)	(4.8)

360 Capital Industrial Fund



For the half year ended 31 December 2014

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Distributions:

	Cents per unit	Total amount paid \$'000	Date of payment
September quarter distribution	4.8000	5,748	24 October 2014
December quarter distribution	5.0675	6,202	27 January 2015
Total distribution for the period ended 31 December 2014	9.8675	11,950	
September quarter distribution	4.65	4,355	25 October 2013
December quarter distribution	4.65	4,376	24 January 2014
Total distribution for the period ended 31 December 2013	9.30	8,731	

Distribution Reinvestment Plan

The key terms of 360 Capital Industrial Fund's distribution reinvestment plan ("DRP") in operation are:

The DRP is underwritten at the discretion of the Responsible entity.

A 1.50% discount is applicable to units issued under the DRP.

No brokerage, commission or other transaction costs will be payable by participants on units acquired under the DRP.

Units acquired under the DRP rank equally with existing units on issue.

The price at which units are allocated under the DRP is the daily volume weighted average market price of 360 Capital Industrial Fund units sold in the ordinary course of trading on the ASX during the 10 trading day period starting on the third business day after the record date.

Net tangible asset per security:

	31 Dec 2014 \$	31 Dec 2013 \$
NTA per unit	2.19	1.94



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360 CAPITAL INDUSTRIAL FUND

360 Capital Industrial Fund comprises
360 Capital Industrial Fund (ARSN 099 680 252)
and its controlled entities



360 CAPITAL INDUSTRIAL FUND

Interim Financial Report For the half year ended 31 December 2014

360 Capital Industrial Fund comprises 360 Capital Industrial Fund (ARSN 099 680 252) and its controlled entities.

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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 the year ended 30 June 2014 and any public announcements made by 360 Capital Industrial Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Cover image: 69 Rivergate Place, Murarrie, Qld.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

The Directors of 360 Capital Investment Management Limited ("CIML"), the Responsible Entity, present their report together with the interim financial report of 360 Capital Industrial Fund (ARSN 099 680 252) and its controlled entities ("the Fund") (ASX:TIX) for the half year ended 31 December 2014.

Directors

The following persons were Directors of the Responsible Entity during the year and 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 principal continuing activity of the Fund was investment in industrial properties within Australia. There have been no significant changes to the Fund's principal activities during the financial period.

Operating and financial review

The statutory profit attributable to the unitholders of the Fund for the half year ended 31 December 2014 was \$14.7 million (December 2013: \$8.6 million). The operating profit (profit before specific non-cash items and significant items) was \$11.5 million (December 2013: \$9.8 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 Directors consider 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.

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 7: Segment reporting of the financial statements for the half year ended 31 December 2014, which have been subject to review, refer to page 28 for the auditor's review report on the financial statements.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

Operating and financial review (continued)

	31 December 2014 \$'000	31 December 2013 \$'000
Profit attributable to the unitholders of the Fund	14,743	8,550
Specific non-cash items		
Net (gain)/loss on fair value of investment properties	(6,916)	561
Net loss on fair value of derivative financial instruments	2,999	179
Amortisation of borrowing costs	495	396
Straight-lining of lease revenue	(405)	(506)
Amortisation of incentives and leasing fees	241	300
Significant items		
Loss on termination of derivative financial instruments	236	-
Net loss on sale of investment property	133	126
Legal fees on change of custodian	-	203
Operating profit (profit before specific non-cash and significant items)	11,526	9,809

The key financial highlights for the financial half year ended 31 December 2014 include:

- Profit attributable to the unitholders of the Fund of \$14.7 million, representing 12.8 cents per unit ("CPU");
- Operating profit of 10.0 CPU;
- Distributions of 9.9 CPU;
- Net assets of \$268.6 million;
- Net tangible assets ("NTA") per unit of \$2.19
- Drawn debt of \$227 million
- Loan to Value Ratio ("LVR") of 45.3%, and
- Interest Cover Ratio ("ICR") of 4.0 times

The key operational highlights for the half year ended 31 December 2014 include:

- Leased 37,684 sqm in the period ;
- Occupancy of 99.9%;
- Increased WALE¹ from 5.3 years to 5.8 years²;
- Acquisition of \$155.3 million² of assets;
- Disposed of \$4.5 million non-core assets; and
- Portfolio WACR³ of 8.2%².

1. WALE: Weighted average lease expiry; this includes the new Boondall property acquisition for which contracts were exchanged as at 31 December 2014.

2. Includes the property acquisition at 136 Zillmere Road, Boondall, QLD for which contracts were exchanged as at 31 December 2014.

3. WACR: Weighted average capitalisation rate

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

Property Portfolio

The portfolio has maintained a high occupancy of 99.9% aided through an active 6 months of leasing and acquisitions.

New leases and lease renewals of 37,684 sqm to Wallara Australia, Slattery Auctions, Silk Contract Logistics and Dana Australia in addition to the five acquisitions¹ of properties with long leases to quality tenants have lifted the WALE to 5.8 years¹ as at 31 December 2014. There are no major expiries remaining in the 2015 financial year ("FY15") with only 0.1% expiring in the second half of FY15 and 12.9% due to expire in the 2016 financial year ("FY16"). Current vacancy within the portfolio as at 31 December 2014 is limited to 399.0 sqm over the entire portfolio of 423,245sqm¹.

The Fund's manageable lease expiry profile over the next 24 months provides strong earnings visibility. Of the 49,040 sqm of pending FY16 expiry, no single expiry represents more than 3.0% of total portfolio income.

Property valuations

Independent valuations as at 31 October 2014 of 70% of the portfolio were completed, resulting in a \$17.5 million or 5.5% increase² on previous valuations. The Fund's overall weighted average cap rate (WACR) as at 31 December 2014 is 8.2%, a 31 basis point (bp) firming since June 2014.

Capitalisation rate compression was witnessed across the portfolio in line with recent transactional evidence. In addition leasing activity to October 2014 led to increased WALE's and the removal of short term leasing risk in some assets led to a more favourable view of those assets.

The portfolio was valued by the Directors as at 31 December 2014 and generally remained in line with previous independent valuations except for 69 Studley Court, Derrimut, VIC which decreased in value by \$0.6 million as a result of the previous tenant, Deliver (Australia) Pty Limited, vacating and a new lease being entered into with Silk Contract Logistics.

Taking this into account the carrying value of the property portfolio at 31 December 2014 was \$501 million.

1. Includes the property acquisition at 136 Zillmere Road, Boondall, QLD for which contracts were exchanged as at 31 December 2014.

2. Increase in valuation for new properties based on original value (excluding acquisition costs) compared to the most recent independent valuation.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

Acquisitions and Disposals

On 17 July 2014 the Fund acquired two properties fully leased to Woolworths Limited on long term leases for \$79.4 million reflecting a combined yield of 8.3%. The acquisition was funded through a fully underwritten \$61.0m capital raise. On 11 August 2014 the Fund acquired 33-37 Mica Street, Carole Park, fully leased to Greens Foods for 15 years for \$23.9 million. In December 2014 the Fund acquired 69 Rivergate Place Murarrie, QLD leased to Yamaha Motor Australia until 2023 and exchanged contracts to acquire 136 Zillmere Road, Boondall, QLD leased to Bradnams Windows & Doors until 2023 which subsequently settled in January 2015.

One non-core property, 5-9 Woomera Ave, Edinburgh Parks, SA, was sold for \$4.5 million in November 2014 with net proceeds used to reduce debt and fund other acquisitions.

Capital management and funding

In July 2014 the Fund undertook a fully underwritten \$61.0 million capital raise at a price of \$2.16 per Unit comprising an institutional placement, a 1 for 7.25 entitlement offer, a general offer and a new debt facility to fund the acquisition of 2 properties leased to Woolworths Limited. The offer was significantly over-subscribed with both new and existing institutional investors participating.

In association with the capital raise, the Fund extended its multi option debt facility to July 2017 and increased the facility limit to \$230.0m which provided debt capacity for further acquisitions. The margin was reduced and a new interest rate swap entered into for \$185.0 million at 2.95% which gave the Fund an all in interest cost of approximately 4.5%.

A Unitholder meeting was held on 8 September 2014 where Unitholder approval was given on two resolutions. The first, approved the July placement and refreshed the Fund's placement capacity for suitable investment opportunities and/or general capital management initiatives. The second, approval was given to amend the Funds constitution to simplify the pricing mechanism to allow underwriting of the Distribution reinvestment plan ("DRP") and provide flexibility in raising new capital.

The September quarter Distribution Reinvestment Plan was fully underwritten by Moelis Australia Pty Ltd and raised \$5.7 million with proceeds used to repay debt.

In association with the acquisitions transacted in December 2014, the Fund amended its existing debt facility with National Australia Bank and introduced Bankwest to the Syndicated Facility Agreement under the following terms:

- Overall debt facility term extended to expire on 19 December 2017
- Overall debt facility limit increased to \$305.0 million
- A margin reduction for the overall debt facility
- Loan to value ratio (LVR) covenant remains at < 55%
- Interest cover ratio (ICR) covenant remains at > 1.6 times

In addition, the Fund entered into a \$20 million interest rate swap for 3 years with NAB at 2.62%.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

Proposed ANI acquisition

On 19 December 2014, the responsible entity on behalf of the Fund made a formal, conditional, off market, all scrip takeover offer ("Offer") for all the units in the Australian Industrial REIT (ASX code: ANI).

The Offer consideration is 0.89 TIX units for every one ANI unit. The Fund believes the Offer delivers significant benefits to TIX and ANI Unitholders. The Bidders Statement of the Offer will be lodged with ANI, ASIC and ASX on 3 February 2015 and outlines the rationale for the Offer.

Further details on the Offer are contained in the Bidder's Statement dated 3 February 2015.

Post period activity

On 16 January 2015, the Fund settled the acquisition of 136 Zillmere Road, Boondall, QLD for purchase price of \$25 million. The acquisition was debt funded using the Fund's existing debt capacity.

In January 2015, the Fund increased the level of hedged borrowings by entering into a new interest rate swap over \$210.0 million of borrowings with NAB for 5 years expiring in January 2020, in place of its existing \$185.0 million interest rate swap with NAB. The Fund's existing 3-year interest rate swap of \$20.0 million taken out in December 2014 remains in place.

By re-setting the Fund's interest rate over the majority of the Fund's borrowings, the Fund reduced its all-in interest cost to 4.0% and significantly extended the term of the Fund's fixed interest rate.

The December 2014 quarter Distribution Reinvestment Plan (DRP) was fully underwritten by Merrill Lynch Equities (Australia) Limited and raised approximately \$6.2m, with proceeds applied to reduce the Fund's borrowings. 360 Capital Group fully participated in the DRP with its co-investment in the Fund remaining at 12.0%.

The debt facility is drawn to approximately \$253 million post completion of the Boondall transaction (pro forma basis). The pro forma gearing of the Fund post completion of the property acquisitions and the December quarter DRP is 47.4%.

Summary & Outlook

The outlook for industrial property remains solid, buoyed by a strong domestic and foreign investment appetite which is continuing the momentum seen in the last 24 months.

Investor attraction to assets with income visibility and long WALE's will likely underpin further activity in the sector. The Fund will continue to focus on earnings security and distribution growth by pursuing selective opportunities and driving operational performance within its existing portfolio.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

Distributions

Distributions declared during the half year ended 31 December 2014 are as follows:

	31 December 2014 \$'000	31 December 2013 \$'000
September 2014 quarter 4.8000 CPU paid 24 October 2014 (September 2013: 4.65 CPU)	5,748	4,355
December 2014 quarter 5.0675 CPU paid 27 January 2015 (December 2013: 4.65 CPU)	6,202	4,376
Total distributions	11,950	8,731

Distribution reinvestment plan

The Fund raised the following amounts through the DRP during the half year ended 31 December 2014:

	31 December 2014 \$'000	31 December 2013 \$'000
June 2013 quarter DRP 430,143 units at \$2.0539 per unit on 26 July 2013	-	884
September 2014 quarter DRP issued 2,619,679 units at \$2.1944 per unit on 24 October 2014 (September 2013: 459,804 units at \$2.0957 per unit)	5,748	964
Total distributions reinvested	5,748	1,848

Significant changes in state of affairs

In the opinion of the Directors, there were no other 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 report.

Events subsequent to balance date

No other matters or circumstances apart from those already mentioned in the Responsible Entity Report have arisen since the end of the half year 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 periods.

Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Class Order, amounts in the interim financial report and Responsible Entity report have been rounded to the nearest thousand dollars, unless otherwise stated.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the half year ended 31 December 2014

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 9 and forms part of the Responsible Entity report for the half year ended 31 December 2014.

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



Tony Robert Pitt
Director



Graham Ephraim Lenzner
Director

Sydney
3 February 2015



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Auditor's Independence Declaration to the Directors of 360 Capital Investment Management Limited as Responsible Entity for 360 Capital Industrial Fund

In relation to our audit of the financial report of 360 Capital Industrial Fund for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Conroy'.

Mark Conroy
Partner
3 February 2015

360 Capital Industrial Fund and its controlled entities

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2014

		31 December 2014 \$'000	31 December 2013 \$'000
	Note		
Revenue from continuing operations			
Rental income	3	21,584	19,184
Finance revenue		64	68
Total revenue from continuing operations		21,648	19,252
Other income			
Net gain/(loss) on fair value of investment properties	4	6,916	(561)
Total other income		6,916	(561)
Total revenue from continuing operations and other income		28,564	18,691
Investment property expenses		3,807	3,706
Management fees	14	1,528	1,165
Other administration expenses		241	545
Net Loss on sale of investment properties		133	126
Net loss on fair value of derivative financial instruments		2,999	179
Loss on termination of derivative financial instruments		236	-
Finance costs	5	4,877	4,420
Net profit from continuing operations		14,743	8,550
Total comprehensive income for the half year		14,743	8,550
Earnings per unit - basic and diluted - cents per unit	6	12.8	9.1

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

360 Capital Industrial Fund and its controlled entities
Consolidated interim statement of financial position
As at 31 December 2014

		31 December 2014 \$'000	30 June 2014 \$'000
	Note		
Current assets			
Cash and cash equivalents		3,041	5,749
Receivables		3,446	1,830
Investment property – held for sale	8	-	4,500
Total current assets		6,487	12,079
Non-current assets			
Investment properties	9	500,970	353,800
Total non-current assets		500,970	353,800
Total assets		507,457	365,879
Current liabilities			
Trade and other payables		4,457	2,749
Distribution payable		6,202	4,256
Total current liabilities		10,659	7,005
Non-current liabilities			
Borrowings	10	225,244	156,102
Derivative financial instruments		2,999	856
Total non-current liabilities		228,243	156,958
Total liabilities		238,902	163,963
Net assets		268,555	201,916
Equity			
Issued units	11	324,277	260,431
Accumulated losses		(55,722)	(58,515)
Total equity		268,555	201,916

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

360 Capital Industrial Fund and its controlled entities
Consolidated interim statement of changes in equity
For the half year ended 31 December 2014

		Issued units \$'000	Accumulated losses \$'000	Total equity \$'000
	Note			
Balance at 1 July 2014		260,431	(58,515)	201,916
Total comprehensive income for the half year		-	14,743	14,743
		260,431	(43,772)	216,659
Transactions with unitholders in their capacity as unitholders				
Issuance of equity	11	61,010	-	61,010
Units issued under DRP	11	5,748	-	5,748
Equity raising cost	11	(2,912)	-	(2,912)
Distributions paid and payable	2	-	(11,950)	(11,950)
		63,846	(11,950)	51,896
Balance at 31 December 2014		324,277	(55,722)	268,555
Balance at 1 July 2013		264,235	(83,084)	181,151
Total comprehensive income for the half year		-	8,550	8,550
		264,235	(74,534)	189,701
Transactions with unitholders in their capacity as unitholders				
Units issued under DRP	11	1,848	-	1,848
Equity raising cost		(19)	-	(19)
Distributions paid and payable	2	-	(8,731)	(8,731)
		1,829	(8,731)	(6,902)
Balance at 31 December 2013		266,064	(83,265)	182,799

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

360 Capital Industrial Fund and its controlled entities

Consolidated interim statement of cash flows

For the half year ended 31 December 2014

		31 December 2014 \$'000	31 December 2013 \$'000
	Note		
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		24,594	20,959
Payments to suppliers (inclusive of GST)		(8,823)	(6,974)
Finance revenue		64	68
Finance costs		(4,356)	(4,000)
Net cash inflows from operating activities	13	11,479	10,053
Cash flows from investing activities			
Payments for additions to investment properties		(517)	(799)
Payments for acquisition of investment properties		(139,433)	(1,646)
Proceeds from disposal of investment properties		4,367	9,174
Net cash (outflows) / inflows from investing activities		(135,583)	6,729
Cash flows from financing activities			
Proceeds from borrowings	10	89,000	1,591
Repayment of borrowings		(19,340)	(9,118)
Proceeds from issue of capital		66,758	1,848
Payment of transaction costs to issue capital	11	(2,912)	-
Payments for borrowing costs		(1,014)	-
Payments to terminate derivative financial instruments		(1,092)	-
Distributions paid to unitholders		(10,004)	(8,022)
Net cash inflows / (outflows) from financing activities		121,396	(13,701)
Net (decrease) / increase in cash and cash equivalents		(2,708)	3,081
Cash and cash equivalents at the beginning of the half year		5,749	4,820
Cash and cash equivalents at the end of the half year		3,041	7,901

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

360 Capital Industrial Fund and its controlled entities

Condensed notes to the interim financial report

For the half year ended 31 December 2014

Note 1: Basis of preparation of half year report

Basis of preparation

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 general purpose financial statements are for the entity 360 Capital Industrial Fund and its controlled entities ("the Fund"). The Fund is a listed Fund established and domiciled in Australia. The Responsible Entity of the Fund is 360 Capital Investment Management 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 Report.

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 2014.

The interim financial report was authorised for issue by the Board on 3 February 2015.

Going concern

As at 31 December 2014, the Fund was in a net current liability position of \$4.17 million. This was due to the distribution of \$6.2 million being declared (hence accrued) for the quarter ended 31 December 2014. This distribution was funded by issuing equity through the fully underwritten distribution reinvestment plan ("DRP") on the distribution date of 27 January 2015. Therefore the interim financial report has been prepared on a going concern basis as the Directors expect the Fund will be able to pay its debts as and when they fall due.

Changes in accounting policy

The principal accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

As a result of new or revised accounting standards which became effective for the financial reporting year commencing 1 July 2014, the Fund has changed some of its accounting policies. The affected policies and standards that are applicable to the Fund are:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities;
- AASB 2013-3 Amendments to AASB 136- Recoverable Amount Disclosures for Non-Financial Assets;
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting;
- AASB 2014-1 Improvements to AASBs 2010-2012 cycle; and
- AASB 2014-1 Improvements to AASBs 2011-2013 cycle.

For the financial period, the adoption of these amended standards has no material impact on the financial statements of the Fund.

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 31 December 2014. They are available for early adoption, but have not been applied in preparing these financial statements. The Fund plans to adopt these standards on the effective date. The impact of these new standards and interpretations are as follows:

- AASB 9 – *Financial Instruments* (Effective January 1, 2018). This standard includes requirements to simplify the approach for the classification and measurement of financial assets. The Responsible Entity is currently assessing the impact on the Fund.
- IFRS 15 – *Revenue from Contracts with Customers* (Effective January 1, 2017). This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Responsible Entity is currently assessing the impact on the Fund.

360 Capital Industrial Fund and its controlled entities**Condensed notes to the interim financial report****For the half year ended 31 December 2014****Note 1: Basis of preparation of half year report (continued)**

These recently issued or amended standards are not expected to have a significant impact on the amounts recognized in these financial statements when they are restated on application of these new accounting standards, except where disclosed above. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Rounding of amounts

The Fund is an entity of the kind referred to in ASIC Class Order 98/100, and in accordance with that Class Order, amounts in the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Note 2: Distributions

Total distributions paid or payable to unitholders by the Fund:

	31 December 2014 \$'000	31 December 2013 \$'000	31 December 2014 Cents per unit	31 December 2013 Cents per unit
Distributions to unitholders	11,950	8,731	9.8675	9.300

Note 3: Rental income

	31 December 2014 \$'000	31 December 2013 \$'000
Rent	21,420	18,978
Straight-lining of lease revenue	405	506
Amortisation of incentives and leasing fees	(241)	(300)
	21,584	19,184

Note 4: Net gain / (loss) on fair value of investment properties

	\$'000	\$'000
Fair value loss of non-current assets held for sale	-	(394)
Fair value gain / (loss) of investment properties	6,916	(167)
	6,916	(561)

360 Capital Industrial Fund and its controlled entities**Condensed notes to the interim financial report****For the half year ended 31 December 2014****Note 5: Finance costs**

	\$'000	\$'000
Interest paid or payable on debt facilities	4,382	4,024
Amortisation of capitalised borrowing costs on debt facilities	495	396
	4,877	4,420

Note 6: Earnings per unit

	31 December 2014 ¢	31 December 2013 ¢
Basic and diluted earnings per unit	12.8	9.1
	\$'000	\$'000
Basic and diluted earnings		
Net profit attributable to unitholders	14,743	8,550
	000's	000's
Weighted average number of units		
Weighted average number of units	115,395	93,764

Note 7: Segment reporting

The Fund invests solely in industrial properties 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 unitholders.

360 Capital Industrial Fund and its controlled entities**Condensed notes to the interim financial report****For the half year ended 31 December 2014****Note 7: Segment reporting (continued)**

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

	31 December 2014 \$'000	31 December 2013 \$'000
Profit attributable to the unitholders of the Fund	14,743	8,550
Specific non-cash items		
Net (gain)/loss on fair value of investment properties	(6,916)	561
Net loss on fair value of derivative financial instruments	2,999	179
Amortisation of borrowing costs	495	396
Straight-lining of lease revenue	(405)	(506)
Amortisation of incentives and leasing fees	241	300
Significant items		
Loss on termination of derivative financial instruments	236	-
Net loss on sale of investment property	133	126
Legal fees on change of custodian	-	203
Operating profit (profit before specific non-cash and significant items)	11,526	9,809
Weighted average number of units ('000)	115,395	93,764
Operating profit per unit (profit before specific non-cash and significant items) (EPU) - cents	10.0	10.5

Note 8: Investment property - held for sale

	31 December 2014 \$'000	30 June 2014 \$'000
5-9 Woomera Avenue, Edinburgh Parks, SA	-	4,500
	-	4,500

5-9 Woomera Avenue, Edinburgh Parks, SA was disposed of on 28 November 2014, with net proceeds used to repay debt and fund other acquisitions.

360 Capital Industrial Fund and its controlled entities
Condensed notes to the interim financial report
For the half year ended 31 December 2014

Note 9: Investment properties (continued)

	Date of acquisition	Book value		Cap rate		Discount rate		Date of last external valuation	Last external valuation \$'000
		31 December 2014	30 June 2014	31 December 2014	30 June 2014	31 December 2014	30 June 2014		
		\$'000	\$'000	%	%	%	%		
Investment property valuations									
12-13 Dansu Court, Hallam, VIC	Dec 03	13,100	11,900	8.00	8.25	9.00	9.50	Oct 14	13,100
14-17 Dansu Court, Hallam, VIC	Dec 03	15,650	15,500	8.00	8.25	9.00	9.50	Oct 14	15,650
39-45 Wedgewood Road, Hallam, VIC	Dec 03	8,500	8,500	8.25	8.25	9.75	9.75	Apr 14	8,500
310 Spearwood Avenue, Bibra Lake, WA	May 05	50,000	48,200	8.50	8.90	10.25	10.75	Oct 14	50,000
6 Albert Street, Preston, VIC	Mar 06	24,600	23,000	8.25	8.75	9.50	9.50	Oct 14	24,600
102-128 Bridge Road, Keysborough, VIC	Jul 06	28,200	26,500	8.25	8.75	9.25	9.50	Oct 14	28,200
60 Marple Avenue, Villawood, NSW	Feb 07	20,000	20,000	8.75	8.75	9.75	9.75	Apr 14	20,000
500 Princes Highway, Noble Park, VIC	Oct 07	20,000	20,000	8.75	8.75	9.75	9.75	Apr 14	20,000
8 Penelope Crescent, Arndell Park, NSW	Nov 07	14,500	14,500	8.50	8.50	9.75	9.75	Apr 14	14,500
37-51 Scrivener Street, Warwick Farm, NSW	Jan 08	23,500	21,750	9.00	9.25	9.50	10.25	Oct 14	23,500
54 Sawmill Circuit, Hume, ACT	Jun 12	14,500	13,800	7.75	8.00	9.25	9.50	Oct 14	14,500
9-13 Caribou Drive, Direk, SA	Jun 12	9,550	9,550	8.50	8.50	9.50	9.50	Apr 14	9,550
22 Hawkins Crescent, Bundamba, QLD	Jun 12	39,000	36,200	7.75	8.00	9.25	9.50	Oct 14	39,000
1 Ashburn Road, Bundamba, QLD	Jun 12	35,000	33,000	8.00	8.25	9.25	10.00	Oct 14	35,000
33-59 Clarinda Road, South Oakleigh VIC	Aug 06	10,100	10,100	9.25	9.25	10.50	10.50	Jun 14	10,100
457 Waterloo Road, Chullora, NSW	Jun 13	21,900	20,300	7.50	8.00	10.00	9.50	Oct 14	21,900
69 Studley Court, Derrimut, VIC	Jun 13	20,400	21,000	7.50	7.75	9.00	9.50	Apr 14	21,000
2 Woolworths Way, Warnervale, NSW	Jul 14	72,000	-	8.00	-	9.00	-	Oct 14	72,000
21 Jay Street, Mount St John, Townsville, QLD	Jul 14	9,595	-	8.75	-	10.00	-	-	-
33-37 Mica Street, Carole Park, QLD	Sep 14	23,875	-	8.00	-	9.75	-	-	-
69 Rivergate Place, Murarrie, QLD	Dec 14	27,000	-	7.50	-	9.00	-	-	-
Total		500,970	353,800						
less: lease income receivable		(9,038)	(7,696)						
		491,932	346,104						

360 Capital Industrial Fund and its controlled entities
Condensed notes to the interim financial report
For the half year ended 31 December 2014

Note 9: Investment Properties

	31 December 2014 \$'000	30 June 2014 \$'000
Note		
Movement during the period:		
Opening balance as at 1 July	353,800	312,000
Transfer from non-current assets held for sale	-	18,700
Additions to investment properties	619	2,047
Acquisitions of investment properties and associated costs	138,293	4,022
Disposals	-	(9,300)
Net gain on fair value of investment properties	6,916	25,118
Straight-lining of lease revenue	405	1,303
Movement in Incentives and leasing fees	1,178	455
Amortisation of incentives and leasing fees	(241)	(545)
Closing balance	500,970	353,800

On 29 July 2014, the Fund settled the acquisitions of 2 Woolworths Way, Warnervale, NSW and 21 Jay Street, Mount St John, Townsville, QLD. The consideration paid for the purchases was \$84.2 million which included stamp duty and legal costs. The acquisitions were largely funded by the fully underwritten institutional placement completed in July 2014.

On 22 September 2014, the Fund settled the acquisition of 33-37 Mica Street, Carole Park, QLD for a total cash consideration of \$25.4 million including stamp duty and legal costs. The acquisition was debt funded using the Fund's existing debt capacity.

On 19 December 2014, the Fund settled the acquisition of 69 Rivergate Place, Murarrie, QLD for a total cash consideration of \$28.7 million including stamp duty and legal costs. The acquisition was debt funded using the Fund's existing debt capacity.

Note 10: Borrowings

	31 December 2014 \$'000	30 June 2014 \$'000
Non-current		
Borrowings - secured	227,000	157,340
Capitalised borrowing costs	(1,756)	(1,238)
	225,244	156,102
Borrowings - secured		
Total facility limit	305,000	180,000 ¹
Used at end of reporting date	227,000	157,340
Unused at end of reporting date	78,000	22,660

1) Total facility as at 30 June 2014 included a bank guarantee facility of \$2.65 million which was terminated in July 2014.

360 Capital Industrial Fund and its controlled entities
Condensed notes to the interim financial report
For the half year ended 31 December 2014

Note 10: Borrowings (continued)

	31 December 2014 \$'000	30 June 2014 \$'000
Movement during the period:		
Opening balance as at 1 July	157,340	160,425
Repayment of facility during the period	(19,340)	(13,288)
Draw downs of facility during the period	89,000	10,203
Closing balance	227,000	157,340

On 25 July 2014, the Fund amended the National Australia Bank ("NAB") loan facility by increasing the available limit to \$230 million (\$180m; 30 June 2014), reducing the margin and extending the term to 31 July 2017.

The facility was subsequently amended on 17 December 2014 with the introduction of a new financier (Bankwest) contributing another \$75 million to the available syndicated facility. The Fund negotiated to reduce margins and extend the term until 19 December 2017.

In line with the increased facility, in July 2014 the Fund entered into a new interest rate swap commercial hedge covering \$185 million at a rate of 2.95%. The interest rate hedge expires in August 2017. A second interest rate swap commercial hedge of \$20 million was entered into with a fixed rate of 2.615% expiring on 7 January 2018.

b) Funding Covenants

All loan facilities are subject to standard commercial covenants consistent with the type of loan including Loan Value Ratio, Interest Cover Ratio & Negative Variations. At the date of this report, the Fund complies with all debt covenants and did at all times during the half year.

As at 31 December 2014 the debt facility was drawn to \$227 million, which represents a Loan to Value Ratio ("LVR") of 45.3%, which complied with the bank covenant of less than 55%.

As at 31 December 2014 the interest cover ratio was calculated to be 4.0 times, which complied with the bank covenant of no less than 1.6 times.

360 Capital Industrial Fund and its controlled entities
Condensed notes to the interim financial report
For the half year ended 31 December 2014

Note 11: Equity

(a) Issued Units

	31 December 2014 000's	30 June 2014 000's
360 Capital Industrial Fund - Ordinary units issued	122,385	91,520
	\$'000	\$'000
360 Capital Industrial Fund - Ordinary units issued	324,277	260,431

(b) Movements in issued units

Movements in issued units of the Fund for the half year ended 31 December 2014 were as follows:

Movement in number of issued units:

	000's	000's
Opening balance as at 1 July	91,520	372,886
Institutional placement and accelerated retail entitlement offer in July 2014	21,552	-
Retail entitlement offer in August 2014	6,693	-
September 2014 quarter DRP in October 2014	2,620	460
1 for 4 units consolidation in July 2013	-	(279,664)
June 2013 quarter DRP in July 2013	-	430
December 2013 quarter DRP in January 2014	-	169
March 2014 unit buy back	-	(2,761)
Closing balance	122,385	91,520

Movement in value of issued units:

	31 December 2014 \$'000	30 June 2014 \$'000
Opening balance as at 1 July	260,431	264,235
Institutional placement and accelerated retail entitlement offer in July 2014	46,552	-
Retail entitlement offer in August 2014	14,458	-
September 2014 quarter DRP in October 2014	5,748	964
June 2013 quarter DRP in July 2013	-	884
December 2013 quarter DRP in January 2014	-	342
March 2014 unit buy back	-	(5,908)
Capitalised capital raising and DRP costs	(2,912)	(86)
Closing balance	324,277	260,431

360 Capital Industrial Fund and its controlled entities

Condensed notes to the interim financial report

For the half year ended 31 December 2014

Note 11: Equity (continued)

In line with the Product Disclosure Statement ("PDS") issued on 17 July 2014, the Fund raised \$61 million in equity during July and August 2014. This cash was used to acquire two properties fully leased to Woolworths on long term leases for \$79.4 million (total purchase price excluding stamp duty and legal expenses). The remainder of the purchase price was debt funded. The \$61 million capital raise was fully underwritten comprising an institutional placement, a 1 for 7.25 retail entitlement offer and a general offer. The offer price of \$2.16 was well supported by the market with both new and existing institutional investors participating.

Issuance of new units totalling 21,551,772 (\$46,551,827) for the institutional placement and accelerated retail placement (investors who chose to accelerate their settlement of the 1 for 7.25 entitlement offer) occurred on 29 July 2014. Issuance of the remaining units totalling 6,693,373 (\$14,457,686) for the retail entitlement offer occurred on 27 August 2014.

The Fund raised \$5,748,624 through the fully underwritten September 2014 quarter DRP. In total, 2,619,679 units were issued on the distribution payment date of 24 October 2014 at \$2.1944 being a discount to the Fund's 10 day weighted average trading price.

Note 12: Financial instruments

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2014:

	Carrying amount		Fair value	
	31 December 2014 \$'000	30 June 2014 \$'000	31 December 2014 \$'000	30 June 2014 \$'000
Financial assets				
Receivables	3,446	1,830	3,446	1,830
Total current	3,446	1,830	3,446	1,830
Total	3,446	1,830	3,446	1,830
Financial liabilities				
Trade and other payables	4,457	2,749	4,457	2,749
Distributions payable	6,202	4,256	6,202	4,256
Total current	10,659	7,005	10,659	7,005
Borrowings	225,244	156,102	227,000	157,340
Derivative financial instruments	2,999	856	2,999	856
Total non-current	228,243	156,958	229,999	158,196
Total	238,902	163,963	240,658	165,201

360 Capital Industrial Fund and its controlled entities

Condensed notes to the interim financial report

For the half year ended 31 December 2014

Note 12: Financial instruments (continued)

As at 31 December 2014, 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 liabilities measured at fair value				
Derivative financial instruments as at 31 December 2014	2,999	-	2,999	-
Derivative financial instruments as at 30 June 2014	856	-	856	-

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy. Described as follows, 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.

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Valuation techniques

Derivative financial instruments

For derivatives, as market prices are unavailable the Fund uses valuation models to derive fair value. The models are industry standard and mostly employ a Black-Scholes framework to calculate the expected future value of payments by derivative, which is discounted back to a present value. The models' interest rate inputs are benchmark interest rates such as BBSW and active broker quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced through a consensus data provider. As such the input parameters into the models are deemed observable, thus these derivatives are categorised as Level 2 instruments.

Borrowings

The fair value of the borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

360 Capital Industrial Fund and its controlled entities**Condensed notes to the interim financial report****For the half year ended 31 December 2014****Note 13: Reconciliation of net profit to net cash inflows from operating activities**

	31 December 2014 \$'000	31 December 2013 \$'000
Net profit/(loss) for the half year	14,743	8,550
<u>Adjustment for:</u>		
Net changes in fair value of investment properties	(6,916)	561
Fair value loss on derivative financial instruments	2,999	179
Loss on sale of properties	133	126
Net loss on termination of derivative financial instruments	236	-
Amortisation of borrowing costs	495	396
<u>Changes in assets and liabilities:</u>		
Increase in receivables and prepayments	(1,817)	(127)
Increase in trade and other payables	1,606	368
Net cash inflows from operating activities	11,479	10,053

Note 14: Related party transactions**Responsible Entity**

The Responsible Entity of 360 Capital Industrial Fund is 360 Capital Investment Management Limited, a wholly owned subsidiary falling under the ultimate holding entity 360 Capital Group Limited.

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.

Management fees

	31 December 2014 \$	31 December 2013 \$
Fees for the half year paid/payable by the Fund:		
Management of the Fund	1,410,569	1,066,124
Custodian fees	117,550	88,844
Fund recoveries	-	10,162
	1,528,119	1,165,130

360 Capital Industrial Fund and its controlled entities

Condensed notes to the interim financial report

For the half year ended 31 December 2014

Note 14: Related party transactions (continued)

	31 December 2014 \$	30 June 2014 \$
Aggregate amounts due to the Responsible Entity at balance date:		
Management of the Fund	754,157	550,537
Fund recoveries	-	9,217
	754,157	559,754

The Responsible Entity is entitled to a management fee of 0.65% per annum of the gross asset value of the Fund calculated in accordance with the Fund's constitution. The Responsible Entity has elected to charge 0.60% per annum.

Custodian fees are paid to the custodian, also being 360 Capital Investment Management Limited, and calculated in accordance with the constitution at a rate of 0.05% of the Fund's gross assets.

Unitholdings

Other Funds managed by and Related to the Responsible Entity held units in the Fund as follows:

	31 December 2014	30 June 2014
360 Capital Diversified Property Fund		
Number of units held	14,726,084	14,410,847
Interest % held	12.03%	15.75%
Distributions paid/payable by the Fund (\$)	1,437,966	2,665,872
360 Capital AREIT Fund		
Number of units held	16,204	-
Interest % held	0.01%	-
Distributions paid/payable by the Fund (\$)	1,599	-

On 19 December 2014, the formal, conditional, off market, all scrip takeover offer ("Offer") for all the units in the Australian Industrial REIT (ASX code: ANI) was made by the Responsible entity on behalf of the Fund. During the half year ended 31 December 2014, the 360 Capital Diversified Fund and the Trafalgar Opportunity Fund No. 4 acquired 5.5% and 7.39% respectively in ANI. These two Funds are wholly owned by 360 Capital Investment Trust giving it a total 12.89% ownership of ANI. 360 Capital Investment Trust is stapled to 360 Capital Group Limited, the ultimate parent of the Responsible entity of 360 Capital Industrial Fund.

Remuneration of Directors and Key Management Personnel of the Responsible Entity

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the Key Management Personnel ("KMP"). The Directors of the Responsible Entity are KMP.

No compensation is paid directly by the Fund to Directors or to any KMP of the Responsible Entity.

360 Capital Industrial Fund and its controlled entities

Condensed notes to the interim financial report

For the half year ended 31 December 2014

Note 14: Related party transactions (continued)

Loans to Directors and Key Management Personnel of the Responsible Entity

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the Directors and KMP or their personally related entities at any time during the half year.

Other transactions with Directors and Specified Executives of the Responsible Entity

From time to time, Directors and KMP or their personally related entities may buy or sell units in the Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors.

Management personnel Unit holdings

The number of units held directly or indirectly by Directors, Key Management Personnel and their related parties as at 31 December 2014 are as follows:

Name	Position	30 June 2014	Acquisitions	31 December 2014
		Equity Holding		Equity Holding
David van Aanholt	Director	24,092	3,923	28,015
Tony Robert Pitt	Director	607,102	91,225	698,327
William John Ballhausen	Director	80,000	11,035	91,035
Graham Ephraim Lenzner	Director	70,000	19,656	89,656
Andrew Graeme Moffat	Director	84,956	13,957	98,913

Note 15: Events subsequent to balance date

On 16 January 2015, the Fund settled the acquisition of 136 Zillmere Road, Boondall, QLD for purchase price of \$25 million. The acquisition was debt funded using the Fund's existing debt capacity.

In January 2015 the Fund increased the level of hedged borrowings by entering into a new interest rate swap over \$210.0 million of borrowings with NAB for 5 years expiring in January 2020, in place of its existing \$185.0 million interest rate swap with NAB. The Fund's existing 3-year interest rate swap of \$20.0 million taken out in December 2014 remains in place.

By re-setting the Fund's interest rate over the majority of the Fund's borrowings, the Fund reduced its all-in interest cost to 4.0% and significantly extended the term of the Fund's fixed interest rate.

The December quarter Distribution Reinvestment Plan (DRP) was fully underwritten by Merrill Lynch Equities (Australia) Limited and raised approximately \$6.2m, with proceeds applied to reduce the Fund's borrowings. 360 Capital Group fully participated in the DRP with its co-investment in the Fund remaining at 12.0%.

In relation to the proposed ANI acquisition, the Bidder's Statement to be lodged on 3 February 2015 provides detailed information regarding the Offer for all the units in the Australian Industrial REIT (ASX code: ANI).

There are no other matters or circumstances apart from those mentioned above that have arisen since the end of the half year 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 Industrial Fund and its controlled entities

Directors' declaration

For the half year ended 31 December 2014

The Directors of 360 Capital Investment Management Limited, the Responsible Entity, declare that:

- 1) The consolidated interim financial statements and notes that are set out on pages 14 to 26, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (ii) complying with 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 Fund 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.



Tony Robert Pitt
Director



Graham Ephraim Lenzner
Director

Sydney
3 February 2015

To the unitholders of 360 Capital Industrial Fund

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of 360 Capital Industrial Fund ('the Fund'), which comprises the statement of financial position as at 31 December 2014, 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 directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of 360 Capital Investment Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim 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 interim 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its 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 360 Capital Industrial Fund and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which follows the Responsible Entity Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of 360 Capital Industrial Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
3 February 2015