

360 Capital Total Return Fund

For the half year ended 31 December 2016

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 2016. 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 2016 Annual Report. The Interim Financial Report for the half year ended 31 December 2016 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2016 – 31 December 2016

Prior corresponding period: 1 July 2015 – 31 December 2015

Results announcement to the market:

	31 Dec 2016 \$'000	31 Dec 2015 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	1,478	6,125	(4,647)	(75.9)
Profit attributable to stapled securityholders for the half year	483	4,568	(4,085)	(89.4)
Operating profit ¹	1,226	1,942	(716)	(36.9)

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 2016 Cents per security	31 Dec 2015 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	1.6	11.7	(10.1)	(86.3)
Operating profit per security	4.0	5.0	(1.0)	(20.0)

360 Capital Total Return Fund



For the half year ended 31 December 2016

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 quarter distribution	1.90	583	27 October 2016
December quarter distribution	1.90	582	25 January 2017
Total distribution for the period ended 31 December 2016	3.80	1,165	
September quarter distribution	2.81	1,115	23 October 2015
Special distribution	1.20	476	23 October 2015
December quarter distribution	1.50	571	27 January 2016
Total distribution for the period ended 31 December 2015	5.51	2,162	

Net tangible asset per security:

	31 Dec 2016 \$	31 Dec 2015 \$
NTA per security	1.31	1.29



360 CAPITAL TOTAL RETURN FUND

Interim Financial Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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 2016

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	5
Consolidated interim statement of profit or loss and other comprehensive income	6
Consolidated interim statement of financial position	7
Consolidated interim statement of changes in equity	8
Consolidated interim statement of cash flows	9
Condensed notes to the interim financial report	10
Directors' declaration	17
Independent auditor's review report	18

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 2016 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 2016

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 code: TOT) for the half year ended 31 December 2016. 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").

On 23 December 2016, unitholders of the Passive Fund and the Active Fund passed a resolution to change the Responsible Entity from 360 Capital Investment Management Limited ("CIML") to 360 Capital FM Limited. The change in Responsible Entity was effective from this date. The Directors of CIML were the same and only Directors as CFML, as listed below, for the period and up to the date of the change of the Responsible Entity.

Directors

The following persons were Directors of 360 Capital FM Limited from the date of the change of the Responsible Entity 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 2016 was \$0.5 million (December 2015: \$4.6 million). The Fund's statutory balance sheet as at 31 December 2016 had gross assets of \$40.8 million (June 2016: \$41.3 million).

The Fund's operating profit (profit before specific non-cash and significant items) for the half year ended 31 December 2016 was \$1.2 million (December 2015: \$1.9 million).

360 Capital Total Return Fund
Responsible Entity report
For the half year ended 31 December 2016

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.

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 2016, which have been subject to audit; refer to page 18 for the auditor's report on the financial statements.

	31 December 2016 \$'000	31 December 2015 \$'000
Profit attributable to stapled securityholders of the Fund	483	4,568
Specific non-cash items		
Net loss on disposal of investment properties	-	345
Net loss/(gain) on fair value of financial assets	743	(3,411)
Significant items		
Payment to "A" Class unitholders	-	410
Makegood income	-	(225)
Acquisition and transaction costs	-	255
Operating profit (profit before specific non-cash and significant items)	1,226	1,942

Strategic fund investment

At the balance date the Fund held a \$37.6 million investment in Industria REIT (ASX code: IDR), a listed property fund (June 2016: \$38.8 million). During the period the Fund disposed 207,043 units on market, realising a gain of \$31,937. The Fund holds a 11.0% interest in IDR and continues to review its strategic investment for opportunities to realise value in the short to medium term.

Distributions

Total distributions paid or payable to unitholders by the Fund for the half year ended 31 December 2016:

	31 December 2016 \$'000	31 December 2015 \$'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 2015 quarterly distribution 2.81 cps paid on 23 October 2015	-	1,115
Special distribution 1.20 cps paid on 23 October 2015	-	476
December 2015 quarterly distribution 1.50 cps paid on 27 January 2016	-	571
	1,165	2,162

360 Capital Total Return Fund
Responsible Entity report
For the half year ended 31 December 2016

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. No buy-back arrangements occurred in the half year ended 31 December 2016 (December 2015: 6.0 million units bought back).

Number of interests on issue

As at 31 December 2016, the number of securities on issue in the Fund was 30,662,688 (June 2016: 30,662,688).

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 5 and forms part of the Responsible Entity's report for the half year ended 31 December 2016.

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.



Tony Robert Pitt
Director

Sydney
22 February 2017



Graham Ephraim Lenzner
Director

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 2016, 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
22 February 2017

360 Capital Total Return Fund

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2016

		31 December 2016 \$'000	31 December 2015 \$'000
	Note		
Revenue from continuing operations			
Rental from investment properties		-	1,045
Distributions from property funds		1,432	1,284
Finance revenue		14	159
Total revenue from continuing operations		1,446	2,488
Other income			
Net gain on fair value of financial assets		-	3,411
Net gain on disposal of financial assets	5	32	-
Other income		-	226
Total other income		32	3,637
Total revenue from continuing operations and other income		1,478	6,125
Investment property expenses		-	179
Administration expenses		108	210
Management fees	9	144	413
Net loss on fair value of financial assets	5	743	-
Net loss on disposal of investment properties		-	345
Payment to "A" Class unitholders		-	410
Profit from continuing operations		483	4,568
Profit for the period		483	4,568
Total comprehensive income for the period		483	4,568
Total comprehensive income attributable to:			
Unitholders of 360 Capital Total Return Passive Fund		546	4,597
Unitholders of 360 Capital Total Return Active Fund		(63)	(29)
Profit attributable to the stapled securityholders		483	4,568
Profit for the period		483	4,568
Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Total Return Fund		Cents	Cents
Basic and diluted earnings per security	4	1.6	11.7

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 2016

		31 December	30 June
		2016	2016
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		1,713	1,094
Receivables		1,447	1,488
Total current assets		3,160	2,582
Non-current assets			
Financial assets at fair value through profit or loss	5	37,592	38,751
Total non-current assets		37,592	38,751
Total assets		40,752	41,333
Current liabilities			
Trade and other payables		52	74
Distribution payable		583	460
Total current liabilities		635	534
Total liabilities		635	534
Net assets		40,117	40,799
Equity			
Issued capital – Passive Fund units	6	54,679	54,679
Issued capital – Active Fund units	6	6,200	6,200
Accumulated losses		(20,762)	(20,080)
Total equity attributable to stapled securityholders		40,117	40,799
Total equity		40,117	40,799

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 2016

		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 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							
Issued units - Buy back		-	-	-	-	-	-
Equity raising transaction costs		-	-	-	-	-	-
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
Balance at 1 July 2015		63,453	7,747	(22,686)	(169)	48,344	48,344
Total comprehensive income for the period		-	-	4,597	(29)	4,568	4,568
Transactions with Securityholders in their capacity as Securityholders							
Issued units - Buy back		(1,496)	(278)	-	-	(1,774)	(1,774)
Equity raising transaction costs		(5)	(4)	-	-	(9)	(9)
Distributions	3	-	-	(2,162)	-	(2,162)	(2,162)
		(1,501)	(282)	(2,162)	-	(3,945)	(3,945)
Balance at 31 December 2015		61,952	7,465	(20,251)	(198)	48,967	48,967

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 2016

		31 December	31 December
		2016	2015
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		40	1,396
Cash payments to suppliers (inclusive of GST)		(289)	(976)
Distributions received		1,449	476
Proceeds from disposal of financial assets		32	-
Finance revenue		14	159
Net cash inflows from operating activities	8 (b)	1,246	1,055
Cash flows from investing activities			
Proceeds from disposal of investment properties		-	25,656
Proceeds from disposal of financial assets		416	-
Payments for financial assets		-	(22,204)
Net cash inflows from investing activities		416	3,452
Cash flows from financing activities			
Payments for security buy backs		-	(1,774)
Payment of transaction costs to issue capital		-	(9)
Distributions paid to stapled securityholders		(1,043)	(2,706)
Payment to "A" Class unitholders		-	(410)
Net cash outflows from financing activities		(1,043)	(4,899)
Net increase/(decrease) in cash and cash equivalents		619	(392)
Cash and cash equivalents at the beginning of the period		1,094	12,024
Cash and cash equivalents at the end of the period	8 (a)	1,713	11,632

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 2016

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.

On 23 December 2016, unitholders of the Passive Fund and the Active Fund passed a resolution to change the Responsible Entity from 360 Capital Investment Management Limited to 360 Capital FM Limited. The change in Responsible Entity was effective from this date.

The interim financial report was authorised for issue by the Board on 22 February 2017.

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 2016 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 2016 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 2016

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 2016 \$'000	31 December 2015 \$'000
Profit attributable to stapled securityholders of the Fund	483	4,568
Specific non-cash items		
Net loss on disposal of investment properties	-	345
Net loss/(gain) on fair value of financial assets	743	(3,411)
Significant items		
Payment to "A" Class unitholders	-	410
Makegood income	-	(225)
Acquisition and transaction costs	-	255
Operating profit (profit before specific non-cash and significant items)	1,226	1,942
Weighted average number of units ('000)	30,663	39,114
Operating profit per stapled security (profit before specific non-cash and significant items) (EPS) – cents	4.0	5.0

Note 3: Distributions

The Active Fund did not declare any distributions during the half year or up to the date of this report (December 2015: Nil). Distributions declared by the Passive Fund directly to securityholders during the half year were as follows:

	31 December 2016 \$'000	31 December 2015 \$'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 2015 quarterly distribution 2.81 cps paid on 23 October 2015	-	1,115
Special distribution 1.20 cps paid on 23 October 2015	-	476
December 2015 quarterly distribution 1.50 cps paid on 27 January 2016	-	571
	1,165	2,162

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2016

Note 4: Earnings per stapled security

	31 December 2016 ¢	31 December 2015 ¢
Basic and diluted earnings per stapled security	1.6	11.7
	\$'000	\$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Total Return Fund used in calculating earnings per stapled security	483	4,568
	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities – basic and diluted	30,663	39,114

Note 5: Financial assets at fair value through profit or loss

	31 December 2016 \$'000	30 June 2016 \$'000
Non-current		
Units in listed funds managed externally	37,592	38,751
Total	37,592	38,751

At the balance date the Fund held a \$37.6 million investment in Industria REIT (ASX code: IDR), a listed property fund (June 2016: \$38.8 million). During the period the Fund disposed 207,043 units on market, realising a gain of \$31,937.

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

	31 December 2016 \$'000	30 June 2016 \$'000
Balance at 1 July	38,751	11,227
Financial assets acquired – on market	-	24,003
Financial assets disposed – on market	(448)	-
Net gain on disposal of financial assets	32	-
Fair value adjustment of financial assets	(743)	3,521
Closing balance	37,592	38,751

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2016

Note 6: Equity

(a) Issued capital

	31 December 2016 000's	30 June 2016 000's
360 Capital Total Return Passive Fund - Ordinary securities issued	30,663	30,663
360 Capital Total Return Active Fund - Ordinary securities issued	30,663	30,663
	\$'000	\$'000
360 Capital Total Return Passive Fund - Ordinary securities issued	54,679	54,679
360 Capital Total Return Active Fund - Ordinary securities issued	6,200	6,200
Total issued capital	60,879	60,879

(b) Movements in issued capital

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

	31 December 2016 000's	30 June 2016 000's
Opening balance at 1 July	30,663	39,678
Security buy back	-	(9,015)
Closing balance	30,663	30,663

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

	31 December 2016 \$'000	30 June 2016 \$'000
Opening balance at 1 July	60,879	71,200
Security buy back	-	(10,308)
Transaction costs incurred in issuing capital	-	(13)
Closing balance	60,879	60,879

Note 7: 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 2016.

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2016

Note 7: Other financial assets and liabilities (continued)

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.

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

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss as at 31 December 2016	37,592	37,592	-	-
Financial assets at fair value through profit or loss as at 30 June 2016	38,751	38,751	-	-

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 8: Cash flow information

(a) Reconciliation of cash and cash equivalents

	31 December	30 June
	2016	2016
	\$'000	\$'000
Cash at bank	1,713	1,094
Cash and cash equivalents in the statement of cash flows	1,713	1,094

360 Capital Total Return Fund
Condensed notes to the interim financial report
For the half year ended 31 December 2016

Note 8: Cash flow information (continued)

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

	31 December 2016 \$'000	31 December 2015 \$'000
Net profit for the period	483	4,568
<u>Adjustment for:</u>		
Net loss on disposal of investment property	-	345
Net change in fair value of financial assets	743	(3,411)
Payment to "A" Class unitholders	-	410
<u>Change in assets and liabilities</u>		
(Increase)/decrease in receivables	40	(719)
Decrease in payables	(20)	(138)
Net cash inflows from operating activities	1,246	1,055

Note 9: 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).

On 23 December 2016, unitholders of the Passive Fund and the Active Fund passed a resolution to change the Responsible Entity from 360 Capital Investment Management Limited (CIML) to 360 Capital FM Limited. The change in Responsible Entity was effective from this date.

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 2016 \$	31 December 2015 \$
Fees for the year paid/payable by the Fund:		
Management fees	141,725	170,627
Acquisition fees	-	219,834
Fund recoveries	2,403	22,713
	144,128	413,174

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 2016

Note 9: 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.

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 2016	30 June 2016
360 Capital Property Limited		
Number of stapled securities held	7,449,415	7,449,415
Interest % held	24.3%	24.3%
Distributions paid/payable by the Fund (\$)	283,078	559,784

Note 10: 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 2016

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 6 to 16 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 2016 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.



Tony Robert Pitt
Director



Graham Ephraim Lenzner
Director

Sydney
22 February 2017

To the unitholders of 360 Capital Total Return Passive Fund

Report on the Interim Financial Report

We have reviewed the accompanying consolidated interim financial report of 360 Capital Total Return Passive Fund (the "Fund") which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, condensed 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 period end or from time to time during the period.

Directors' Responsibility for the Interim Financial Report

The directors of 360 Capital FM Limited, the Responsible Entity of the Fund, are responsible for the preparation of the consolidated 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 consolidated 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 consolidated 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 consolidated interim 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 2016 and its performance for the period 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 Total Return Passive Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a consolidated 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.

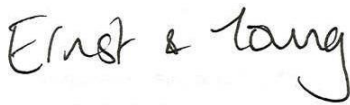
Independence

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 consolidated interim financial report of 360 Capital Total Return Passive Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated Fund's financial position as at 31 December 2016 and of its performance for the period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Mark Conroy
Partner
Sydney
22 February 2017