360 Capital Property Group

360 CAPITAL INDUSTRIAL FUND 2013 HALF YEAR REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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360 CAPITAL FUND OVERVIEW AND STRATEGY

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Fund overview

- 360 Capital Property Group took over management of the Fund in December 2010 when it had frozen distributions, no liquidity and high refinancing risk
- Since then 360 Capital refinanced and stabilised the Fund, reinstated distributions, repositioned and significantly strengthened the portfolio, and listed the Fund on ASX
- Fund's $299.9 million portfolio is well diversified across mainland Australia
  - Strong defensive property fundamentals
  - 98% occupancy, quality tenant base, 9.10% WACR[1] and 4.9 year WALE[2]
  - 75% of leases have an average 3.6% fixed annual rental reviews
- Repositioning significantly improved Fund metrics
  - Acquired $80.4 million high quality Walker portfolio in June 2012
  - Divested 10 non-core assets for $69.9 million since December 2010
- Fund stabilised via new $210 million, three year debt facility
- Distributions increased to 4.5cpu[3] p.a. payable quarterly, reflecting an 11.0% distribution yield on $0.41 closing price[4]
- Listed on ASX on 13 December 2012: ASX code "TIX"
  - The only listed A-REIT focussed exclusively on Australian passive industrial property investment
  - All properties owned 100% by the Fund
  - Clearly defined operating strategy and investment focus
  - Ability for growth via active asset management activities
  - Experienced, aligned management team with major co-investment

Delivering defined strategy

Fund repositioning has significant momentum

	360 Capital acquires Becton Investment Management Limited (Dec 2010)	Fund Stabilisation	Walker Transaction (Jun 2012)	ASX listing (Dec 2012)
Assets	24	23	26	18
WALE	3.3 years	4.1 years	5.0 years	4.9 years
Occupancy	91%	96%	98%	98%
Debt	Short term	3 year facility ($166m)	3 year facility ($260m)	3 year facility ($210m)
Distribution[4]	Suspended	4.0cpu p.a.	4.0cpu p.a.	4.5cpu p.a.
LEASING	161,000sqm or 49% of portfolio NLA[5] re-leased			
ACQUISITIONS	Four Walker assets acquired for $80.4 million			
DISPOSALS	10 non-core assets sold for $69.9 million			

1 Weighted average capitalisation rate.
2 Weighted average lease term to expiry by income.
3 Cents per Unit.
4 Closing price on the ASX on 31 December 2012 was $0.41.
5 Net lettable area.

360 CAPITAL INDUSTRIAL FUND REPORT TO UNITHOLDERS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

360 Capital RE Limited as Responsible Entity for the 360 Capital Industrial Fund (“Fund” or ASX code “TIX”) is pleased to announce the financial results for the Fund for the half-year ended 31 December 2012.

The Fund also reaffirms its FY2013 distribution guidance of 4.50cpu and provides FY2013 operating earnings guidance of 5.91cpu, which reflects a forecast pay-out ratio of 76%.

The Fund listed on the ASX on 13 December 2012 following overwhelming approval by Unitholders on 8 November 2012.

Financial highlights

- Statutory net profit of $7.7 million was significantly above the statutory loss of $3.7 million in the prior corresponding period (pcp)
- Statutory earnings per Unit (EPU) was 4.23cpu compared to a loss of (2.10)cpu in the pcp
- Operating profit[1] was $4.2 million up 13.2% from $3.7 million in the pcp
- Operating EPU was 2.31cpu, up 12.6% on 2.05cpu in the pcp
- Gross assets decreased to $302.4 million from $355.5 million in the pcp as a result of the sale of selective non-core assets as part of the Fund's portfolio repositioning and deleveraging strategy
- Net tangible assets (NTA) increased to $96.8 million from $92.2 million in the pcp mainly as a result of the write-off of accrued fees which more than compensated for costs incurred as a result of the Fund's listing, Walker portfolio acquisition costs and defending Denison Funds Management's failed management challenge
- NTA per Unit increased 3.9% to $0.53 per Unit from $0.51 per Unit in the pcp
- The Fund's loan to value ratio (LVR)[2] decreased from 61.5% to 57.4% and remains well within covenants reflecting the Fund's deleveraging focus
- Distributions per Unit (DPU) of 2.25cpu increased 12.5% on the 2.00cpu distributed in the pcp
- The closing price as at 31 December 2012 of $0.41 per Unit reflected:
  - An annualised distribution yield of 11.0% based on an annualised distribution of 4.50cpu
  - A 22.6% discount to the Funds NTA per Unit of $0.53 per Unit.

Operational highlights

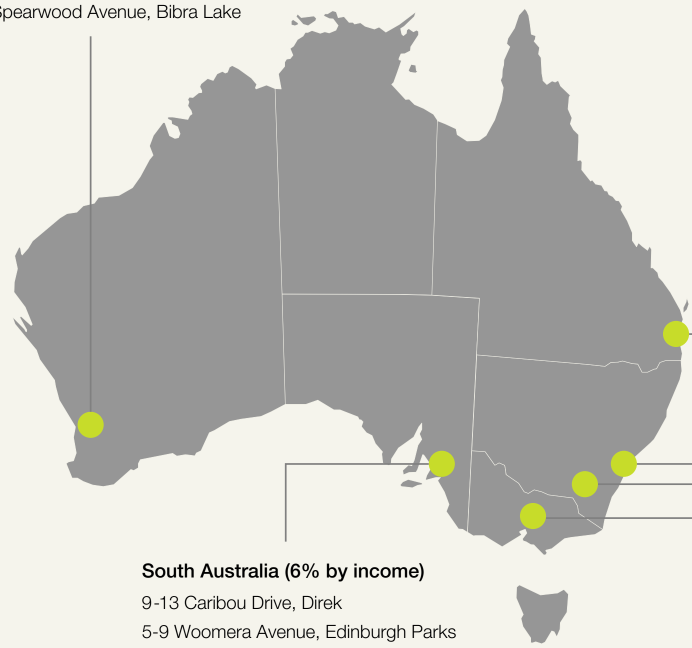
- Unitholders approved the listing of the Fund on 8 November 2012, with the Fund successfully listing on the ASX on 13 December 2012
- Significant leasing performance with 10,735sqm (3.3% of portfolio) of NLA re-leased
  - Post December 2012, the Fund entered into heads of agreement over 38,229sqm (12.1% of portfolio NLA), eliminating FY2013 expiries and reducing FY2015 expiries from 12.0% to 6.0% of portfolio income
- Occupancy increased slightly from 97.5% to 97.7%
- Settled the acquisition of $80.4 million portfolio from the Walker Corporation which, as part of the Fund's repositioning strategy, significantly improved overall portfolio quality
- Successfully negotiated a first right of refusal for five years with Walker Corporation over its current and future industrial development pipeline (currently in excess of 500 hectares of development land), thereby providing the Fund with access, but not the obligation, to acquire new industrial assets as part of its repositioning strategy
- WALE was 4.9 years, up from 4.0 years in the pcp (and expected to increase to 5.2 years including post December 2012 leasing activities)
- Disposed of six non-core assets during the period for a total of $46.0 million with net proceeds used to reduce debt and reduce the Fund's LVR
- A recruitment process nearing completion to appoint a dedicated Fund Manager for the Fund (function currently undertaken by 360 Capital Property Group Managing Director and Head of Property)
- Existing tenant Grace Removals at the Hume property now expanding after exercising an option over expansion land. Walker Corporation will be responsible for development delivery.

1 Operating profit (or earnings) is statutory net profit adjusted for amortisation of incentives and leasing fees, fair value losses on properties and derivatives, gains on the sale of properties, relinquishment of initial and deferred fees by the Responsible Entity and one-off costs associated with listing, 360 Notes and defence of the failed Denison Funds Management challenge.

2 LVR is calculated in accordance with debt facility documentation as borrowings (excluding 360 Notes) divided by property values as determined by last external valuations as adopted by the financier.

Portfolio overview

Well diversified $299.9 million portfolio



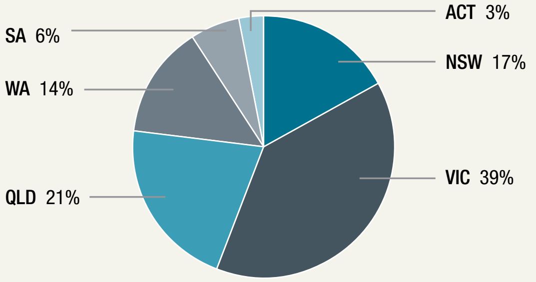
Portfolio overview as at 31 December 2012

Property	State	Valuation ($m)	Last valued	Cap rate (%)	NLA (sqm)	Occupancy (%)	WALE (years)
60 Marple Avenue, Villawood	NSW	19.70	Jun 2012	9.00	18,529	100.0	4.0
37-51 Scrivener Street, Warwick Farm	NSW	17.60	Jun 2012	10.25	27,599	100.0	1.6
8 Penelope Crescent, Arndell Park	NSW	14.10	Jun 2012	8.50	11,423	100.0	3.4
54 Sawmill Circuit, Hume	ACT	8.90	Feb 2012	8.25	5,684	100.0	5.6
22 Hawkins Crescent, Bundamba	QLD	32.00	Feb 2012	8.50	18,956	100.0	11.9
1 Ashburn Road, Bundamba	QLD	30.30	Feb 2012	8.75	26,628	100.0	7.1
9-13 Caribou Drive, Direk	SA	9.20	Feb 2012	8.75	7,023	100.0	6.8
5-9 Woomera Avenue, Edinburgh Parks	SA	8.40	Jun 2012	9.25	10,580	100.0	0.7
102-128 Bridge Road, Keysborough	VIC	21.50	Jun 2012	9.50	24,617	100.0	4.1
500 Princes Highway, Noble Park	VIC	18.50	Jun 2012	9.25	13,714	96.9	3.2
6 Albert Street, Preston	VIC	17.20	Jun 2012	10.25	20,517	90.9	5.3
14-17 Dansu Court, Hallam	VIC	14.60	Jun 2012	9.50	17,070	100.0	1.5
12-13 Dansu Court, Hallam	VIC	11.35	Jun 2012	9.25	11,542	100.0	3.4
33-59 Clarinda Road, Oakleigh South	VIC	10.30	Jun 2012	9.00	10,774	100.0	3.0
40-48 Howleys Road, Notting Hill	VIC	9.30	Jun 2012	9.00	11,053	100.0	4.0
39-45 Wedgewood Road, Hallam	VIC	8.35	Jun 2012	9.00	10,631	100.0	0.4
223-235 Barry Road, Campbellfield	VIC	6.40	Jun 2012	9.00	11,092	55.1	4.3
310 Spearwood Avenue, Bibra Lake	WA	42.20	Jun 2012	8.93	59,508	100.0	5.9
TOTAL		**299.90**		**9.10**	**316,940**	**97.7**	**4.9**

Diversified, core, industrial portfolio

- Core industrial properties in established industrial areas
- High occupancy of 97.7%
- Geographically diversified across mainland Australia
- Attractive tenant profile
  - No tenant more than 10.1% of rental income
  - Top 10 tenants are national businesses focused on warehousing/distribution/logistics.

Geographic diversification (by income)



Top 10 tenants

	Tenant	Rent ($m)	% of total
1	AWH Pty Ltd	3.3	10.1
2	The Reject Shop	3.0	9.4
3	Australian Pharmaceutical Industries (API)	3.0	9.3
4	Visy Industries	2.5	7.7
5	Hugo Boss Australia Pty Ltd	2.3	7.0
6	Kent Transport Industries Pty Limited	1.5	4.8
7	Tyremax Pty Ltd	1.3	4.2
8	GM Holden	1.2	3.8
9	CTI Freight Systems Pty Ltd	1.2	3.6
10	Plexicor Australia	1.1	3.4
	Top 10 total	**20.5**	**63.2**

Proven asset management and in-built growth

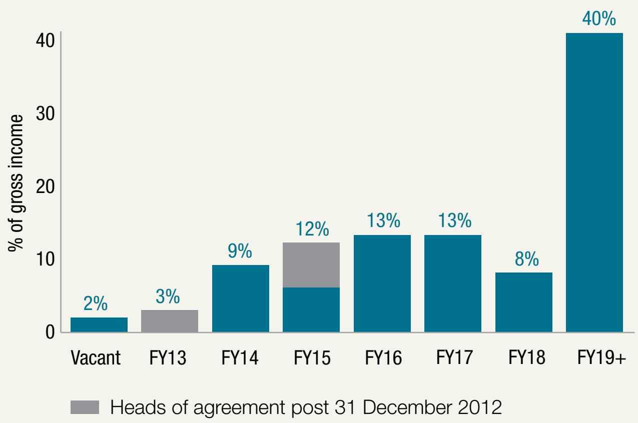
Significant re-leasing success continues

- 10,735sqm (3.3% of NLA) re-leased in last six months
- Since 31 December 2012, heads of agreement over 38,229sqm (12.1% of portfolio) have been entered into
  - Eliminates FY2013 expiries and reduces FY2015 expiries to 6.0% of income
  - Expected to take WALE to 5.2 years

In-built rent review profile, with a 76% weighting[3] to fixed rental reviews

- Average fixed rental growth of 3.6% p.a.
- 31 December 2012 WALE of 4.9 years underpins security of rental income

Portfolio lease expiry profile



3 Weighted by Gross Passing Rent. Rental reviews to CPI represent 18% of gross income and market reviews represent 6% of gross income.

Portfolio update

Focus continues on reducing remaining near-term expiry profile of the Fund and extending the WALE to enhance cashflow and minimum future income risks. During the period 10,735sqm (or 3.3% of portfolio NLA) was re-leased which, together with the disposal of assets with vacancy, resulted in a slight increase in occupancy from 97.5% to 97.7%.

The major leasing transaction during the period was the renewal of Mainfreight Distribution at 500 Princes Highway, Noble Park, VIC over 8,403sqm. The lease now expires in 2016 and extends the WALE of the asset to over 3.0 years from 2.3 years previously.

Wallara Industries also renewed its lease for three years over 1,867sqm at Bridge Road, Keysborough, VIC. This lease is in addition to its larger tenancy (3,188sqm) within the complex which is leased until 2019.

The Fund's investment management team has continued to focus on property fundamentals, in particular, maintaining a high occupancy over the portfolio by releasing and/or reaching heads of agreement over 15.4% of the portfolio over the past seven months. This follows leasing of almost 100,000sqm (or 31% of portfolio NLA) in the 12 months prior following a campaign of rebuilding tenant relationships.

Post the HY2013 reporting period, heads of agreement have been entered into over two tenancies totalling 38,229sqm (or 12.1% of portfolio NLA). These transactions, once complete, will eliminate the remaining FY2013 expiries and reduce pending FY2015 expiries from 12% to 6% of portfolio income.

The Fund's portfolio of 18 properties was last externally revalued as at 30 June 2012 and was not externally revalued during the half-year to 31 December 2012.

Acquisition update

During the six months to December 2012, the Fund acquired four new assets from Walker Corporation for $80.4 million (plus costs) with settlement in June and July 2012. The Walker portfolio acquisition was the first major step in repositioning the Fund by improving the quality of the portfolio, increasing portfolio WALE to 4.9 years from 4.0 years in the pcp, providing long term stability to the Funds cashflow, increasing diversification and reducing capex which has in turn allowed an increase in distributions.

The four new assets acquired were:

- **22 Hawkins Crescent, Bundamba, QLD – API**
  Leased for a further 13 years, this 18,956sqm warehouse is API's distribution facility servicing Queensland. The lease provides annual fixed rental increases of 4.0%.
- **1 Ashburn Road, Bundamba, QLD – The Reject Shop**
  Leased for a further eight years, Reject Shop has a right to request the landlord to expand the 26,628sqm premises by a further 6,200sqm in exchange for a new 10 year lease. A development agreement is in place with Walker Corporation to construct an expanded facility if required.
- **54 Sawmill Circuit, Hume, ACT – Grace Group**
  The tenant's right to expand the 5,684sqm premises by 3,000sqm has been exercised by Grace with the lease expiry to extend by four years to February 2022. A development agreement is in place with Walker Corporation to construct the expanded facility. The lease contains annual fixed rental increases of 4.0%.
- **9-13 Caribou Drive, Direk, SA – Kimberly Clark**
  Leased for a further seven years, this 7,023sqm facility was purpose built for Kimberly Clark in 2009 as their state distribution centre and incorporates annual fixed rental increases of 3.5%.

1 Ashburn Road, Bundamba, QLD – The Reject Shop

Disposal update

During the six months December 2012, the Fund disposed of a total of six non-core, secondary assets for a total of $46.0 million, with the net proceeds from these disposals used to reduce debt. These assets were considered non-core to the Fund and no longer met the Fund's investment strategy of owning well-leased and strategically located industrial properties within core Industrial markets within Australia.

Typically sale prices were in line with valuations. The assets were characterised by poor locations, long term vacancy, over-renting, or impending vacancy.

Coupled with the active management of the existing portfolio, as an ongoing part of its repositioning and deleveraging strategy, the team continues to improve portfolio cashflow through the disposal program of higher risk, secondary, non-core assets and integrating higher quality assets from Walker Corporation.

Capital management

The Fund has been through a significant capital stabilisation program over the past two years since 360 Capital assumed management of the Fund from Becton.

As part of the acquisition of the Walker Portfolio, the Fund issued 360 Notes to partly finance the acquisition. As at December 2012 the Fund had outstanding 360 Notes with a face value of $26.0 million which are classified as unsecured subordinated debt.

At the time of the Fund's ASX listing, the Fund's senior debt facility with NAB was automatically extended to three years and now expires in December 2015. At 31 December 2012 the debt facility was drawn to $172.1 million with a limit of $210.0 million.

The Fund's LVR has reduced from 61.5% to 57.4% as at 31 December 2012 in comparison to the covenant of 60.0% at that time. The reduction of the LVR over the period was as a result of the disposal of non-core assets as part of the Fund's repositioning and deleveraging strategy with net proceeds being used to reduce senior debt.

The Fund has a strategy to continue to reduce the LVR to a medium term target of less than 50.0% in order to simplify its capital structure and be more in line with comparable A-REITS. Management has identified additional non-core assets that can be divested to further reduce borrowings and/or address repayment of the 360 Notes.

Key debt indicators (excluding 360 Notes)

	HY 2013	FY 2012
Drawn senior debt	$172.1m	$222.6m
LVR	57.4%	61.5%
Weighted average debt duration	3.0 years	0.3 years
"All-in" debt cost[1]	7.3%	7.0%
Hedged	90.1%	72.0%
Hedge duration	1.5 years	1.9 years

1 Includes margin. Post December, the Fund reset the interest rate swap reducing the cost of debt to approximately 5.5%.

9-13 Caribou Drive, Direk, SA – Kimberly Clark

As at 31 December 2012, the Fund had reduced its exposure to interest rate fluctuations by locking in $155.0 million of its drawn debt with an interest rate swap at an average hedge rate of 5.0% plus margin until June 2014, resulting in the Fund being 90.1% hedged.

With the extension of the NAB Facility to December 2015, there was a requirement that the interest rate hedging strategy also be extended to be more in line with the debt facility. As a result, post 31 December 2012, debt of $155.0 million was re-hedged under the following arrangements:

- New three year swap put in place at 3.0% p.a. plus margin, increasing hedge duration to 3.0 years
- Net break costs of $5.1 million already accrued as liability – no impact to NTA per Unit
- Marginal increase in debt to $177.2 million and LVR to 59.0%
- Average "all-in" debt cost now in line with market levels at 5.5% p.a.
- New swap saving $2.8 million p.a. in borrowing costs equivalent to 1.5cpu p.a.

Summary and outlook

The Fund will continue to implement its repositioning and investment strategy to purchase quality industrial investment assets located in core industrial areas and also to provide its Unitholders with regular income in the form of quarterly distributions and potential capital growth.

The Fund's performance over the six months to 31 December 2012 was solid with a refinancing, repositioning to improve portfolio quality, ongoing asset management success and an ASX listing.

360 Capital Property Group's investment philosophy is to invest alongside our Unitholders and thereby support the Fund. Currently, 360 Capital, its Directors and the 360 Capital Diversified Property Fund own approximately 19.1% of Fund Units. 360 Capital and its associates supported the Walker Acquisition by purchasing $22.0 million of the $26.0 million of 360 Notes on issue. 360 Capital and its associates have a long term target of owning between 15% and 20% of the Fund in line with its co-investment philosophy.

Looking ahead, industrial market metrics remain positive and the Fund will continue to drive operational performance via active asset management and asset recycling. Besides identifying further non-core asset disposals, the Fund is targeting the acquisition of well-located, quality industrial facilities with strong lease covenants in the $15.0 million to $40.0 million price range. The Fund believes this market segment is attractive given it is generally too large for private investors and too small for the larger A-REITS, thus providing value to purchasers that also have the experience to manage the assets well.

The Fund is also targeting a reduction in LVR to between 40.0% and 50.0%.

The Fund is pleased to reaffirm its distribution guidance of 4.50cpu and provides earnings guidance of 5.91[4]cpu for FY2013 (comprising December 2012 actuals of 2.31cpu and a further 3.60cpu for the six months to June 2013).

4 Includes eight months borrowing costs at 5.0% swap (plus margin) and four months borrowing costs at 3.0% swap (plus margin) as a result of the post-December 2012 swap reset. Reduced swap rate equates to a saving of 0.5cpu over the last four months of FY2013 in comparison to the previous higher rate. Assumes no further disposals, capital management, or other initiatives that the Fund may be considering.

360 Capital Industrial Fund
and Controlled Entities

ARSN 099 680 252

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

01 RESPONSIBLE ENTITY REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

The Directors of 360 Capital RE Limited, the Responsible Entity, present their report on 360 Capital Industrial Fund ARSN 099 680 252 ("the Fund") for the half-year ended 31 December 2012.

Directors

The Directors of the Responsible Entity in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Andrew Graeme Moffat
William John Ballhausen
David van Aanholt
Tony Robert Pitt

Principal activities

During the half-year the principal activity of the Fund was the investment in industrial properties within Australia. There have been no significant changes to the principal activities during the period.

Review of operations

The total value of the Fund's properties as at 31 December 2012 was $299,900,000 (30 June 2012: $344,800,000).

Admission to the ASX

The Fund was admitted to the Australian Securities Exchange ("ASX") on 13 December 2012 with the ticker code being TIX.

Asset sales

In line with its repositioning strategy, to dispose of non-core assets, the Fund disposed of the following assets during the six months to 31 December 2012, with all net proceeds being used to reduce debt:

On 29 August 2012 the Fund settled the sale of Lot 3, 241 Shellharbour Road, Kemblawarra, NSW for $8.2 million.

On 11 October 2012 the Fund settled the sale of 38 Westgate Street, Wacol, QLD for $8.8 million.

On 19 October 2012 the Fund settled the sale of 145 and 147 Archerfield Road, Richlands, QLD for $18.5 million.

On 18 December 2012 the Fund settled the sale of 28 & 32 Gauge Circuit, Canning Vale, WA for $10.5 million.

Debt

The net proceeds from the above asset sales together with $6.6 million term deposit from settlement of 71 Stradbroke Street, Heathwood, QLD have seen the senior facility reduced by $50.4 million during the six month period.

The $20.0 million second tranche of the facility, previously due to expire on 30 November 2012 was never drawn and has expired. The $210 million first tranche facility was extended to a 3 year term now expiring on 31 December 2015. As at 31 December 2012 was drawn to $172.1 million.

NTA per Unit

The Fund's assets as at 31 December 2012 were $302,423,228 (June 2012: $355,546,330). At 31 December 2012 the NTA was $0.53 per Unit (June 2012: $0.51 per Unit).

Distributions

Distributions declared during the six month to 31 December 2012 are as follows:

Quarter ending	Rate per Unit	Date paid
September 2012	1.125 cents	22 October 2012
December 2012	1.125 cents	25 January 2013

Rounding of amounts

The Fund is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Significant changes in State of Affairs

Other than the admission of the Fund to the ASX, as described above, there have been no other significant changes to the State of Affairs of the Fund during the half-year ended 31 December 2012.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* follows this Directors' report.

Post balance sheet events

On 7 February 2013 the Fund reset its interest rate hedge. The $155.0 million interest rate swap was broken and reset at a 3% interest rate for a period of three years to March 2016, at a total cost of $5.1 million, funded through debt.

Other than the above, there have been no events subsequent to balance date that require additional disclosure.

Signed in accordance with a resolution of the Board of Directors of 360 Capital RE Limited by:

Tony Pitt
Managing Director

Sydney, 12 February 2013

54 Sawmill Circuit, Hume, ACT – Grace Group

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

In relation to our review of the financial report of 360 Capital Industrial Fund for the half-year ended 31 December 2012 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.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
12 February 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	Half-year 31 Dec 2012 $'000	31 Dec 2011 $'000
Revenue and other income			
Rental income		**18,247**	15,924
Other income		**32**	–
Total revenue and other income		**18,279**	15,924
Expenses			
Direct property expenses		**(3,711)**	(3,370)
Amortisation of incentives and leasing fees		**(405)**	(160)
		(4,116)	(3,530)
Responsible Entity's fees			
– Management fees		**(1,119)**	(946)
– Initial and deferred establishment fees	5	**7,101**	(325)
– Custodian fees		**(194)**	(72)
– Trust recoveries		**(25)**	–
Other administration expenses	2	**(2,761)**	(1,669)
		3,002	(3,012)
Fair value gain / (loss) of investment properties	4	**104**	(2,505)
Fair value gain / (loss) on derivative financial instruments		**637**	(4,545)
(Loss) / gain on sale of investment property		**(1,026)**	23
Finance income		**138**	99
Finance costs		**(9,342)**	(6,201)
Net profit / (loss) for the half-year		**7,676**	(3,747)
Total comprehensive income / (loss) for the half-year attribution to Unitholders		**7,676**	(3,747)
Earnings per Unit – basic and diluted – cents per Unit		**4.2**	(2.1)

The accompanying notes form an integral part of the financial statements.

04 STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		Half-year	
	Notes	31 Dec 2012 $'000	30 Jun 2012 $'000
Current assets			
Cash and cash equivalents		**1,582**	9,102
Trade and other receivables		**941**	1,644
Investment property – held for sale	3	**–**	45,938
Investment property held for sale – lease income receivable	3	**–**	562
Total current assets		**2,523**	57,246
Non-current assets			
Investment properties	4	**293,063**	291,781
Investment properties – lease income receivable	4	**6,837**	6,519
Total non-current assets		**299,900**	298,300
Total assets		**302,423**	355,546
Current liabilities			
Trade and other payables		**3,748**	2,635
Interest bearing liabilities	6	**–**	20,000
Distribution payable		**2,055**	1,805
Fee liabilities	5	**–**	7,101
Total current liabilities		**5,803**	31,541
Non-current liabilities			
Interest bearing liabilities	6	**169,725**	200,039
Derivative financial instruments		**5,163**	5,800
Other financial liabilities	7	**24,884**	25,952
Total non-current liabilities		**199,772**	231,791
Total liabilities		**205,575**	263,332
Net assets		**96,848**	92,214
Equity			
Issued capital	8	**180,189**	179,145
Retained earnings		**(83,341)**	(86,931)
Total equity		**96,848**	92,214

The accompanying notes form an integral part of the financial statements.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued capital $'000	Retained earnings $'000	Total $'000
At 1 July 2012	179,145	(86,931)	92,214
Total comprehensive income for the half-year	–	7,676	7,676
	179,145	**(79,255)**	**99,890**
Transactions with Unitholders in their capacity as Unitholders:			
Equity issuance	1,044	–	1,044
Distributions paid to Unitholders	–	(4,086)	(4,086)
	1,044	**(4,086)**	**(3,042)**
At 31 December 2012	**180,189**	**(83,341)**	**96,848**

	Issued capital $'000	Retained earnings $'000	Total $'000
At 1 July 2011	179,145	(68,504)	110,641
Total comprehensive (loss) for the half-year	–	(3,747)	(3,747)
	179,145	(72,251)	106,894
Transactions with Unitholders in their capacity as Unitholders:			
Distributions paid to Unitholders	–	(3,604)	(3,604)
At 31 December 2011	179,145	(75,855)	103,290

The accompanying notes form an integral part of the financial statements.

06 STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Half-year	
	31 Dec 2012 $'000	31 Dec 2011 $'000
Cash flow from operating activities		
Rental income	**20,735**	17,224
Other income receipts	**36**	–
Interest received	**72**	99
Payments to suppliers	**(8,718)**	(7,757)
Payment of lease incentives	**(92)**	(681)
Finance costs paid	**(8,747)**	(5,466)
Net cash from operating activities	**3,286**	3,419
Cash flow from investing activities		
Net proceeds from sale of investment properties	**43,974**	6,373
Payment for capital additions to investment properties	**(307)**	(2,978)
Net cash from investing activities	**43,667**	3,395
Cash flow from financing activities		
Repayment of interest bearing liabilities	**(50,409)**	(3,898)
Payment of borrowing costs	**(227)**	(50)
Distributions paid to Unitholders	**(3,837)**	(3,604)
Net cash used in financing activities	**(54,473)**	(7,552)
Net (decrease) in cash and cash equivalents	**(7,520)**	(738)
Cash and cash equivalents at the beginning of the period	**9,102**	4,473
Cash and cash equivalents at the end of the period	**1,582**	3,735

The accompanying notes form an integral part of the financial statements.

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included within annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Fund as the full financial report. Accordingly, this half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2012.

The financial statements of 360 Capital Industrial Fund for the half-year ended 31 December 2012 were authorised for issue with a resolution of the Board of Directors of the Responsible Entity on 11 February 2013.

The accounting policies adopted are consistent with those of the most recent annual financial report.

As at 31 December 2012, there were net current liabilities of $3.3 million. This has arisen due to provision for December 2012 quarter distributions and some Fund level expenses. This Financial Report was prepared on a going concern basis due the fact the net current liability position is a point in time view of the balance sheet which is remedied shortly after the period end.

As outlined in Note 6 the Fund is required to reduce its loan to value ratio covenant within the next twelve months. The Fund is considering various options to enable it to meet the covenant requirements, including continuing its divestment strategy of non-core assets, various capital management initiatives, and, given the significant improvement in the quality of the portfolio, discussions have commenced with the Fund's financier, National Australia Bank, to have the step down at 30 June 2013 removed.

NOTE 2 OTHER ADMINISTRATIVE EXPENSES

In June 2012, the Responsible Entity issued 67,500,000 other financial liabilities, known as "360 Notes" (see Note 7) to Institutional Investors raising $27.0 million. The Responsible Entity also commenced a Retail Offering of the 360 Notes however this offering was withdrawn as a result of legal proceedings in the Supreme Court of Victoria, where it was determined that the amendments made to the Constitution required to facilitate the issue of the 360 Notes were not effective. The Court did not make a determination of the status of the 360 Notes.

Included within Other Administrative Expenses are the legal fees in relation to both the listing of the Fund and fees in relation to the first court hearing that took place in August 2012 regarding the 360 Notes as well as the significant costs incurred by the Fund in defending the management challenge by Denison Funds Management. The total of these costs amounts to $2.5 million.

In accordance with the announcement made by the Responsible Entity all costs in relation to the appeal that took place in November 2012 have been paid by the Responsible Entity, in its own capacity, and do not form part of the Fund costs.

NOTE 3 CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Notes	31 Dec 2012 $'000	30 Jun 2012 $'000
32 Gauge Circuit, Canning Vale		–	7,600
28 Gauge Circuit, Canning Vale		–	2,900
147 Archerfield Road, Richlands		–	7,500
145 Archerfield Road, Richlands		–	10,000
33-59 Clarinda Road, Oakleigh South		–	10,300
Lot 3, 241 Shellharbour Road, Kemblawarra		–	8,200
		–	46,500
Less: lease income receivable		–	(562)
		–	45,938
Movement during the financial year:			
Opening balance as at 1 July		**46,500**	–
Transfer from Investment Properties	4	–	52,340
Transfer to Investment Properties	4	**(10,300)**	–
Capitalised subsequent expenditures		–	60
Other movements in lease incentives		–	(1)
Amortisation of lease incentives		–	(59)
Changes in fair value of investment property		–	(5,840)
Disposal		**(36,200)**	
Closing balance as at 31 December		–	46,500

In line with its repositioning strategy, to dispose of non-core assets, the Fund disposed of the following assets during the six months to 31 December 2012, with all net proceeds being used to reduce debt:

On 29 August 2012 the Fund settled the sale of Lot 3, 241 Shellharbour Road, Kemblawarra, NSW for $8.2 million.

On 19 October 2012 the Fund settled the sale of 145 and 147 Archerfield Road, Richlands, QLD for $18.5 million.

On 18 December 2012 the Fund settled the sale of 28 & 32 Gauge Circuit, Canning Vale, WA for $10.5 million.

33-59 Clarinda Road, Oakleigh South has been transferred to Investment Properties (see Note 4) as it was not sold in the period.

NOTE 4 INVESTMENT PROPERTIES

	Notes	31 Dec 2012 $'000	30 Jun 2012 $'000
12-13 Dansu Court, Hallam		**11,350**	11,350
14-17 Dansu Court, Hallam		**14,600**	14,600
39-45 Wedgewood Road, Hallam		**8,350**	8,350
5-9 Woomera Avenue, Edinburgh Parks		**8,400**	8,700
310 Spearwood Avenue, Bibra Lake		**42,200**	42,000
6 Albert Street, Preston		**17,200**	17,200
102-128 Bridge Road, Keysborough		**21,500**	21,500
60 Marple Avenue, Villawood		**19,700**	19,700
38 Westgate Street, Wacol		**–**	8,800
223-235 Barry Road, Campbellfield		**6,400**	6,400
40-48 Howleys Road, Notting Hill		**9,300**	9,300
500 Princes Highway, Noble Park		**18,500**	18,300
8 Penelope Crescent, Arndell Park		**14,100**	14,100
37-51 Scrivener Street, Warwick Farm		**17,600**	17,600
54 Sawmill Circuit, Hume		**8,900**	8,900
9-13 Caribou Drive, Direk		**9,200**	9,200
22 Hawkins Crescent, Bundamba		**32,000**	32,000
1 Ashburn Road, Bundamba		**30,300**	30,300
33-59 Clarinda Road, Oakleigh South		**10,300**	–
		299,900	298,300
Less: lease income receivable		**(6,837)**	(6,519)
		293,063	291,781
Movement during the financial year:			
Opening balance as at 1 July		**298,300**	276,965
Transfer to Non-Current assets held for sale	3	**–**	(52,340)
Transfer from Non-Current assets held for sale	3	**10,300**	–
Capitalised subsequent expenditures		**234**	6,551
Acquisitions of Walker portfolio		**–**	88,549
Disposals		**(8,800)**	(19,000)
Changes in fair value of investment property		**104**	(4,241)
Other movements lease incentives		**167**	2,217
Amortisation of lease incentives		**(405)**	(401)
Closing balance as at 30 June		**299,900**	298,300

The Fund undertook internal valuations on all of its properties at 31 December 2012. The adopted capitalisation rates are consistent with those from the previous external valuations. Details of each asset capitalisation rate, last external valuation date and last external valuer can be found in the 30 June 2012 financial report.

In addition to the disposals outlined in Note 3, on 11 October 2012 the Fund settled the sale of 38 Westgate Street, Wacol, QLD for $8.8 million.

NOTE 5 FEE LIABILITIES

Upon listing, the Responsible Entity waived its entitlement to fees associated with:

- Exit mechanism – between 1% and 2.5% of the aggregate value of each property;
- Initial fee – 5% of purchase price of each property acquired by the Fund; and
- Leasing fee – 8.5% of the gross proceeds for the first year of a new or extended lease term.

This resulted in the previously provided for Exit Fee liability, of $7.1 million, being written back to the profit and loss during the period.

Post listing on the ASX, 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. The Management Fee is payable quarterly in arrears. Prior to listing the Management Fee was calculated as 6.0% of Gross Rental Proceeds payable monthly in arrears.

NOTE 6 INTEREST BEARING LIABILITIES

	31 Dec 2012 $'000	30 Jun 2012 $'000
Bank loan National Australia Bank (NAB) – current	–	20,000
Bank loan National Australia Bank (NAB) – Non-current	**172,106**	202,581
	172,106	222,581
Capitalised borrowing costs – Non-current	**(2,381)**	(2,542)
	169,725	220,039
Movement during the financial year:		
Opening balance as at 1 July	**222,581**	166,312
Repayment of previous NAB facility	–	(163,892)
Repayment due to assets sales –Tranche 2	**(50,475)**	–
Refinance with NAB – Tranche 1	–	20,000
Refinance with NAB – Tranche 2	–	202,581
Repayment of Bankwest facility	–	(2,420)
	172,106	222,581

The net proceeds from asset sales have seen the senior facility reduced by $50,475,168 during the six month period. The $20.0 million second tranche of the facility, previously due to expire on 30 November 2012 was never drawn and has expired. The $210.0 million first tranche facility was extended to a three year term now expiring on 31 December 2015. As at 31 December 2012 was drawn to $172,105,708.

In accordance with the facility agreement, the Fund's loan to value ratio ("LVR") covenant decreased to 60.0% on 31 December 2012 and is to decrease to 55.0% by 30 June 2013 and 50.0% by 31 March 2014. The Fund is considering various options to enable it to meet the covenant requirements, including continuing its divestment strategy of non-core assets, various capital management initiatives, and, given the significant improvement in the quality of the portfolio, discussions have commenced with the Fund's financier, National Australia Bank, to have the step down at 30 June 2013 removed.

The Trust has an interest rate hedge covering $155.0 million of the debt at a rate of 5.0%. The swap expires in June 2014. On 7 February 2013 the Fund reset its interest rate hedge. The $155.0 million interest rate swap was reduced from 5.0% to 3.0% at a total cost of $5.1 million. The debt was drawn upon to fund this amount.

NOTE 7 OTHER FINANCIAL LIABILITIES

	31 Dec 2012 $'000	30 Jun 2012 $'000
360 Notes	**25,956**	27,000
360 Notes raising cost	**(1,072)**	(1,048)
	24,884	25,952
Movement during the financial year:		
Opening balance as at 1 July	**27,000**	–
Proceeds from 360 Notes	**–**	27,000
360 Notes redeemed	**(1,044)**	–
Closing balance	**25,956**	27,000

In June 2012, the Responsible Entity issued 67,500,000 other financial liabilities, known as "360 Notes" to Institutional Investors raising $27.0 million. The Responsible Entity also commenced a Retail Offering of the 360 Notes however this offering was withdrawn as a result of legal proceedings in the Supreme Court of Victoria, where it was determined that the amendments made to the Constitution required to facilitate the issue of the 360 Notes were not effective. The Court did not make a determination of the status of the 360 Notes.

Consistent with the terms disclosed in the annual financial report for the year ended 30 June 2012, the 360 Notes are recorded as a liability of the Fund accruing interest at the rate of 12.0% p.a., as the holders of the 360 Notes have not been given the right to convert. The 360 Notes are unsecured and therefore rank for payment after the Fund's secured creditors are paid but ahead of Unitholders.

In October an offer was made to all Noteholders to redeem their 360 Notes for Units. Noteholders representing 2,610,000 360 Notes elected to redeem and be issued Units, reducing the number of 360 Notes to 64,890,000. The Units were issued at a price equal to the Fund's net asset value per Unit as at October 2012.

NOTE 8 ISSUED CAPITAL

	Half-year	Full year
	31 Dec 2012 $'000	30 Jun 2012 $'000
(a) Issued capital		
182,675,535 ordinary Units fully paid		
(June 2012: 180,554,382)	**180,189**	179,145
Distributions paid and payable	**4,086**	7,227
Distributions paid and payable – cents per Unit	**2.25**	4.00
(b) Movement during the half-year:		
Equity on issue at 1 July	**179,145**	179,145
Issuance of equity (see Note 7)	**1,044**	–
	180,189	179,145

NOTE 9 SEGMENT REPORTING

The Fund invests solely in industrial properties within Australia.

The Chief Operating Decision Maker, 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 one segment. Performance is evaluated based on net profit or loss and is measured consistently with net profit or loss in financial statements.

NOTE 10 CONTINGENT LIABILITIES

There are no known contingent liabilities at 31 December 2012.

NOTE 11 EVENTS SUBSEQUENT TO REPORTING DATE

On 7 February 2013 the Fund reset its interest rate hedge. The $155.0 million interest rate swap was broken and reset at a 3.0% interest rate for a period of three years at a total cost of $5.1 million, funded through debt.

Other than the above, there have been no events subsequent to balance date that require additional disclosure.

The directors of 360 Capital RE Limited, the Responsible Entity, declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the Corporations Act 2001 including:

   (a) complying with Accounting Standard AASB 134 – Interim Financial Reporting and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the Fund's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors of 360 Capital RE Limited by:

Tony Pitt
Managing Director

Sydney, 12 February 2013

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

To the unitholders of 360 Capital Industrial Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of 360 Capital Industrial Fund ('the Fund'), which comprises the statement of financial position as at 31 December 2012, 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 statement 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 Half-Year Financial Report

The directors of 360 Capital RE Limited, the Responsible Entity of the Fund, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2012 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 a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 half-year 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 2012 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

Mark Conroy
Partner
Sydney
12 February 2013

1 Ashburn Road, Bundamba, QLD – The Reject Shop

CORPORATE DIRECTORY

Responsible Entity of the Fund

360 Capital RE Limited
ABN 62 090 939 192, AFSL 223739

Directors of Responsible Entity
Andrew Moffat
John Ballhausen
David van Aanholt
Tony Pitt

Company secretaries
Alan Sutton
Ben James

Registered Office

Level 8
56 Pitt Street
Sydney NSW 2000

Registry

Boardroom Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

Legal Adviser

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

Fund Auditor

Ernst & Young
Ernst & Young Centre
680 George Street
Sydney NSW 2000

INVESTOR INFORMATION

Australian Stock Exchange (ASX) Listing

The 360 Capital Industrial Fund is listed on the ASX and appears on the ASX website and in daily newspapers under the ticker code "TIX".

Further information

If you have a query regarding your investment, such as changing your details, please call our Investor Service number 1800 182 257, email investor.relations@360capital.com.au or visit our website www.360capital.com.au

Complaints Handling

The Responsible Entity is committed to striving for excellence in relation to its products and services and wants to ensure that it responds to customers' concerns as quickly and efficiently as possible. Despite its best endeavours, the Responsible Entity realises that complaints will occur from time to time and, to this end, has in place comprehensive complaints resolution processes to ensure they are resolved with minimum inconvenience to all parties. If you have a complaint, please contact us on 1800 1825 257 (free call from within Australia) or email investor.relations@360capital.com.au

We will either try to resolve your complaint or put you in contact with someone who is better placed to resolve the complaint. If you are not satisfied with the response you receive or if you wish to submit a written complaint, you may write to us at:

The Complaints Officer
360 Capital RE Limited
GPO Box 5483, Sydney NSW 2001

Please provide the detail and reason for your complaint and we will attempt to resolve the matter and respond within 45 days of receipt.

If you are dissatisfied with our response, you may raise the matter directly with the Financial Ombudsman Service (FOS). Its contact details are:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808 (within Australia)
and +61 3 9613 7366 (outside Australia)
Fax: +61 3 9613 6399
Email: info@fos.org.au

Please note that a complaint must have gone through the Responsible Entity's complaints handling process before it can be referred to FOS.

360 Capital

Property Group