

360 Capital Total Return Fund

For the year ended 30 June 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 4.3A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2016. It is also recommended that the Annual 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 Financial Report. The Annual Report for the year ended 30 June 2016 is attached and forms part of this Appendix 4E.

Details of reporting period:

Current reporting period: 1 July 2015 – 30 June 2016

Prior corresponding period: 1 July 2014 – 30 June 2015

Results announcement to the market:

	30 Jun 2016 \$'000	30 Jun 2015 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	7,723	4,539	3,184	70.1
Profit/(loss) attributable to stapled securityholders for the year	5,904	(1,467)	7,371	502.5
Operating profit ¹	3,195	2,690	505	18.8

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 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 3 of the Financial Report.

	30 Jun 2016 Cents per security	30 Jun 2015 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	16.4	(10.6)	27.0	254.7
Operating profit per security	8.9	19.4	(10.5)	(54.1)

360 Capital Total Return Fund



For the year ended 30 June 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	2.81	1,115	23 October 2015
Special distribution	1.20	476	23 October 2015
December quarter distribution	1.50	571	27 January 2016
March quarter distribution	1.50	506	28 April 2016
June quarter distribution	1.50	460	26 July 2016
Total distribution for the year ended 30 June 2016	8.51	3,128	
June quarter distribution	2.81	1,115	24 Jul 2015
Total distribution for the year ended 30 June 2015	2.81	1,115	

Net tangible asset per security:

	30 Jun 2016 \$	30 Jun 2015 \$
NTA per security	1.33	1.22



360 CAPITAL TOTAL RETURN FUND

Annual Report

FOR THE YEAR ENDED 30 JUNE 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

Financial Report For the year ended 30 June 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).

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360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2016

The Directors of 360 Capital Investment Management Limited (“CIML”), the Responsible Entity, present their report together with the financial report of 360 Capital Total Return Fund (“the Fund” or “consolidated entity”) (ASX code: TOT) for the year ended 30 June 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”).

Directors

The following persons were Directors of 360 Capital Investment Management Limited 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 Fund listed on the Australian Stock Exchange (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

The Fund’s statutory net profit attributable to securityholders for the year ended 30 June 2016 was \$5.9 million (2015: loss \$1.5 million), which was driven primarily by a \$3.5 million uplift in valuation of the Fund’s investment in listed property securities. The Fund’s statutory balance sheet as at 30 June 2016 had gross assets of \$41.3 million (2015: \$49.9 million).

Since listing in April 2015, the Fund has distributed 11.32 cents per security (cps) and delivered an 8.0 cps gain in Net Tangible Assets (NTA). Based on the issue price of \$1.25 per Security, the Fund has achieved an annualised total return of 13.4% after costs.

The Fund’s operating profit (profit before specific non-cash and significant items) for the year ended 30 June 2016 was \$3.2 million (2015: \$2.7 million).

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

360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2016

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 audit procedures by the Fund's auditor but has been extracted from Note 3: Segment reporting of the financial statements for the year ended 30 June 2016, which have been subject to audit; refer to page 35 for the auditor's report on the financial statements.

	30 June 2016 \$'000	30 June 2015 \$'000
Profit/(loss) attributable to stapled securityholders of the Fund	5,904	(1,467)
Specific non-cash items		
Loss on disposal of investment properties	344	-
Net loss on fair value of investment properties	-	2,255
Net (gain)/loss on fair value of financial assets	(3,521)	1,256
Significant items		
Payment to "A" Class unitholders	410	-
Property makegood income	(225)	-
Acquisition costs	283	125
Restructure costs	-	521
Operating profit (profit before specific non-cash and significant items)	3,195	2,690

The key financial highlights for the year ended 30 June 2016 include:

- Operating profit of \$3.2 million (2015: \$2.7 million)
- Operating earnings per security (EPS) of 8.9 cents per security (cps)
- Net tangible assets per security at 30 June 2016 of \$1.33 (2015: \$1.22)
- Distributions per security (DPS) of 8.51 cps
- ASX closing price of \$1.15 per security

The key operational achievements for the year ended 30 June 2016 include:

- Acquired an additional \$24.0 million Industria REIT (ASX code: IDR) units at an average price of \$2.00, representing a significant discount to its current trading price of [\$2.24] per unit
- Bought back 9.0 million of the Funds issued securities at an average price of \$1.14 per unit, representing a significant discount to the NTA at 30 June 2016 of \$1.33
- Settled the Frenchs Forest properties for \$26.0 million in September 2015

Properties

On 30 September 2015 the Fund settled the disposal of two properties located at 8 Rodborough Road and 357-373 Warringah Road, Frenchs Forest NSW for a combined sale price of \$26.0 million.

On 20 April 2015, in accordance with resolutions passed by CJT unitholders on 21 January 2015, existing unitholders became entitled to "A" Class units in the CJT fund entitling those unitholders to any proceeds above \$26.0 million from the sale of these properties under the existing conditional sales contracts. Upon completion of the sale, the "A" Class unitholders entitlement was satisfied with the payment of a capital distribution of \$0.4 million funded from settlement adjustments and the "A" Class units were subsequently redeemed, simplifying the Fund's capital structure.

360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2016

Strategic fund investment

At the balance date the Fund held a \$38.8 million investment in Industria REIT (ASX Code: IDR), a listed property fund (2015: \$11.2 million). The Fund has acquired a total of 18.1 million securities in in IDR at an average price of \$2.01. The Fund holds a 14.7% interest in IDR and continues to review its strategic investment for opportunities to realise value in the short to medium term.

Capital management

Cash and cash equivalents at the time of admission to the ASX in April 2015 have been utilised in line with the Fund's business objectives and the Product Disclosure Statement dated 17 March 2015 for the year ended 30 June 2016.

Outlook

The Fund's strategy remains to focus on identifying unique real estate based investment opportunity with a target total return hurdle of 12% per annum. The Fund has a deliberately broad mandate to enable it to pursue attractive investments across all sectors of real estate as well as the unique ability to invest in debt investments and equity as well as direct property.

Distributions

Total distributions paid or payable to unitholders by the Fund for the year ended 30 June 2016:

	30 June 2016 \$'000	30 June 2015 \$'000
June 2015 quarterly distribution 2.81 cps paid on 27 July 2015	-	1,115
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	-
March 2016 quarterly distribution 1.50 cps paid on 28 April 2016	506	-
June 2016 quarterly distribution 1.50 cps paid on 26 July 2016	460	-
	3,128	1,115

On 26 October 2015 a 0.0545 cents per "A" Class unit capital distribution totalling \$0.4 million was paid from CVC Property Fund, a wholly owned controlled entity of the Fund, in relation to "A" Class unitholders entitlements associated with the sale of the Frenchs Forest properties. The "A" Class units have been classified as a financial liability and accordingly this distribution has been expensed through the statement of profit or loss.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of 360 Capital Total Return Fund that occurred during the 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 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 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 Total Return Fund
Responsible Entity report
For the year ended 30 June 2016

Environmental Issues

The Fund complied with all environmental regulations during the course of the financial year.

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 stapled securityholders. On 7 October 2015, stapled securityholders approved a resolution for an on-market buy-back of up to 15% of the current stapled securities on issue. In October 2015 and January 2016, the Stapled Fund bought back 6.0 million units (15% of total units on issue) for a total consideration of \$6.8 million at the applicable daily market rate per unit.

On 14 March 2016 stapled securityholders approved a second resolution for the on-market buy-back of an additional 15% of current stapled securities on issue. In April 2016 the Stapled Fund bought back 3.0 million units (9.1% of total units on issue) for a total consideration of \$3.5 million at the applicable daily market rate per unit.

Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and Executives of the Responsible Entity hold no options over interests in the Fund.

Securities issued in the Fund

There were no new securities issued during the year (2015: 39,678,456).

Number of interests on issue

At 30 June 2016 the number of securities on issue in the Fund was 30,662,688 (2015: 39,678,456).

Securities held by the Responsible Entity or Related Parties of the Responsible Entity

At 30 June 2016 related parties of the Responsible Entity held securities in the Fund, as detailed in Note 17 to the financial statements.

Fees, commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 17 to the financial statements.

Indemnification and insurance of Directors and Officers

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as Officers of the Responsible Entity of the Fund against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of the Responsible Entity, other than conduct involving a wilful breach of duty in relation to the Responsible Entity. The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer of the Responsible Entity.

Indemnification and insurance of Auditors

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit services

Disclosed in Note 7 were the non-audit services provided by the Fund's auditors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2016

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 7 and forms part of the Responsible Entity's report for the year ended 30 June 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
24 August 2016



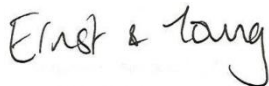
Graham Ephraim Lenzner
Director

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

As lead auditor for the audit of 360 Capital Total Return Passive Fund for the financial year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Mark Conroy
Partner
24 August 2016

360 Capital Total Return Fund

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

		30 June 2016 \$'000	30 June 2015 \$'000
	Note		
Revenue from continuing operations			
Rental from investment properties	5	1,269	3,999
Distribution income	5	2,732	476
Finance revenue		201	64
Total revenue from continuing operations		4,202	4,539
Other income			
Net gain on fair value of financial assets	10	3,521	-
Total other income		3,521	-
Total revenue from continuing operations and other income		7,723	4,539
Investment property expenses		179	609
Administration expenses		273	395
Management fees	17	330	62
Acquisition costs		283	125
Restructure costs		-	521
Finance expenses	6	-	783
Net loss on sale of investment properties		344	-
Net loss on fair value of investment properties		-	2,255
Net loss on fair value of financial assets	10	-	1,256
Payment to "A" Class unitholders		410	-
Profit/(loss) from continuing operations		5,904	(1,467)
Total comprehensive income/(loss) for the year		5,904	(1,467)
Total comprehensive income/(loss) attributable to:			
Unitholders of 360 Capital Total Return Passive Fund		5,955	(1,298)
Unitholders of 360 Capital Total Return Active Fund		(51)	(169)
Profit/(Loss) attributable to the stapled securityholders		5,904	(1,467)
Earnings per stapled security for profit/(loss) after tax			
attributable to the stapled securityholders of 360 Capital Total Return Fund		cents	cents
Basic and diluted profit/(loss) per security	8	16.4	(10.6)

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

360 Capital Total Return Fund
Consolidated statement of financial position
As at 30 June 2016

		30 June 2016 \$'000	30 June 2015 \$'000
	Note		
Current assets			
Cash and cash equivalents	15	1,094	12,024
Receivables	9	1,488	621
Assets held for sale	11	-	26,000
Total current assets		2,582	38,645
Non-current assets			
Financial assets at fair value through profit or loss	10	38,751	11,227
Total non-current assets		38,751	11,227
Total assets		41,333	49,872
Current liabilities			
Trade and other payables	12	74	413
Distribution payable		460	1,115
Total current liabilities		534	1,528
Total liabilities		534	1,528
Net assets		40,799	48,344
Equity			
Issued capital – Passive Fund units	13	54,679	63,453
Issued capital – Active Fund units	13	6,200	7,747
Accumulated losses		(20,080)	(22,856)
Total equity attributable to stapled securityholders		40,799	48,344
Total equity		40,799	48,344

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

360 Capital Total Return Fund

Consolidated statement of changes in equity

For the year ended 30 June 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 2015		63,453	7,747	(22,856)	(169)	48,344	48,344
Total comprehensive income/(loss) for the year		-	-	5,955	(51)	5,904	5,904
Transactions with Securityholders in their capacity as Securityholders							
Security buy back		(8,765)	(1,543)	-	-	(10,308)	(10,308)
Equity raising transaction costs	13	(9)	(4)	-	-	(13)	(13)
Distributions	4	-	-	(3,128)	-	(3,128)	(3,128)
		(8,774)	(1,547)	(3,128)	-	(13,449)	(13,449)
Balance at 30 June 2016		54,679	6,200	(20,029)	(220)	40,799	40,799
Balance at 1 July 2014		32,468		(20,274)	-	12,194	12,194
Total comprehensive loss for the year		-	-	(1,298)	(169)	(1,467)	(1,467)
Transactions with Securityholders in their capacity as Securityholders							
Issued securities - Institutional equity raising	13	32,000	8,000	-	-	40,000	40,000
Equity raising transaction costs	13	(1,015)	(253)	-	-	(1,268)	(1,268)
Distributions	4	-	-	(1,115)	-	(1,115)	(1,115)
		30,985	7,747	(1,115)	-	37,617	37,617
Balance at 30 June 2015		63,453	7,747	(22,856)	(169)	48,344	48,344

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

360 Capital Total Return Fund
Consolidated statement of cash flows
For the year ended 30 June 2016

		30 June 2016 \$'000	30 June 2015 \$'000
	Note		
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		1,396	4,324
Cash payments to suppliers (inclusive of GST)		(1,143)	(1,971)
Distributions received		1,759	-
Finance revenue		201	64
Finance expenses		-	(783)
Net cash inflows from operating activities	15	2,213	1,634
Cash flows from investing activities			
Payments for additions to investment properties		-	(5)
Proceeds from disposal of investment properties		25,656	-
Payments for financial assets		(24,284)	(12,484)
Net cash inflows/(outflows) from investing activities		1,372	(12,489)
Cash flows from financing activities			
Repayment of borrowings		-	(16,146)
Proceeds from issue of capital	13	-	40,000
Payment of transaction costs to issue capital	13	(13)	(1,268)
Payments for buyback of stapled securities	13	(10,308)	-
Distributions paid to stapled securityholders		(3,784)	-
Payment to "A" Class unitholders		(410)	-
Net cash (outflows)/inflows from financing activities		(14,515)	22,586
Net (decrease)/increase in cash and cash equivalents		(10,930)	11,731
Cash and cash equivalents at the beginning of the year		12,024	293
Cash and cash equivalents at the end of the year	15	1,094	12,024

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

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 1: Basis of preparation

a) Reporting entity

The 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 stapled security cannot be traded or dealt with separately.

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's report.

The financial report was authorised for issue by the Board on 24 August 2016.

The principal accounting policies adopted in the preparation of the financial report are set out below.

b) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards (including Australian Interpretations) adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial report complies with IFRS and interpretations adopted by the International Accounting Standards Board.

c) 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 financial report.

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

The financial report is presented in Australian dollars.

The Fund is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

d) Critical judgements and significant accounting estimates

Critical accounting estimates, judgements and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are:

Valuation of investment properties

The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken annually. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 21 (l).

Income taxes

In circumstances where the Fund becomes subject to income taxes in Australia there are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

The Fund may recognise liabilities based on the Fund's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Impairment of assets

The Fund assesses the recoverability of both current and non-current assets on at least an annual basis. In determining the recoverability of these assets the Fund assesses the likelihood that future cash flows or net assets support the carrying values.

Financial assets at fair value through profit or loss

The fair value of investments which are not traded in an active market is determined by using valuation techniques. The Net Tangible Assets ('NTA') of the underlying Funds is used as a basis for valuation however may be amended as deemed appropriate. The Fund uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date.

In determining the NTA of the underlying investments, property assets are either valued using an external professional valuer, or subject to a Director valuation. All other assets and liabilities held within entities are valued in accordance with accounting policies, consistent with those noted in Note 21.

d) Critical judgements and significant accounting estimates (continued)

The accounting policies set out in Note 21 have been applied consistently to all periods presented in this financial report. The accounting policies have been applied consistently by all entities in the Fund.

Certain new or amended Australian Accounting Standards have been published that are not mandatory for this reporting period. Based on management's assessment, the recently issued or amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosures made in this financial report when restated for the application of the new or amended Accounting Standards.

Note 2: Capital management

Under the direction of the Board, the Fund manages its capital structure to safeguard the ability of the Fund to continue as a going concern while maximising the return to unitholders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units, purchase the Fund's own units, or sell assets to reduce debt. During the year the Fund undertook a security buy back, refer to Note 13: Equity for further information.

There were no changes in the Fund's approach to capital management during the year.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 3: 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 and significant items which management consider to reflect the core earnings of the Fund and is used as a guide to assess the Funds 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.

	30 June 2016 \$'000	30 June 2015 \$'000
Profit/(loss) attributable to stapled securityholders of the Fund	5,904	(1,467)
Specific non-cash items		
Loss on disposal of investment properties	344	-
Net loss on fair value of investment properties	-	2,255
Net (gain)/loss on fair value of financial assets	(3,521)	1,256
Significant items		
Payment to "A" Class unitholders	410	-
Property makegood income	(225)	-
Acquisition costs	283	125
Restructure costs	-	521
Operating profit (profit before specific non-cash and significant items)	3,195	2,690
Weighted average number of stapled securities ('000)	35,914	13,903
Operating profit/(loss) per unit (profit before specific non-cash and significant items) (per stapled security) – cents	8.9	19.4

The operating earnings per stapled security for the comparative period is impacted by the capital restructure that occurred in April 2015 where 32.0 million units were issued in the Fund.

Note 4: Distributions

Total distributions paid or payable to unitholders by the Fund for the year ended 30 June 2016:

	30 June 2016 \$'000	30 June 2015 \$'000
June 2015 quarterly distribution 2.81 cps paid on 27 July 2015	-	1,115
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	-
March 2016 quarterly distribution 1.50 cps paid on 28 April 2016	506	-
June 2016 quarterly distribution 1.50 cps paid on 26 July 2016	460	-
	3,128	1,115

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 5: Revenue

Rental income from investment properties include:

	30 June 2016 \$'000	30 June 2015 \$'000
Rent	1,044	3,999
Property makegood income	225	-
	1,269	3,999

Distributions from property funds include:

	30 June 2016 \$'000	30 June 2015 \$'000
Property funds	2,732	476
	2,732	476

Note 6: Finance costs

	30 June 2016 \$'000	30 June 2015 \$'000
Interest paid on debt facilities	-	783
	-	783

Note 7: Auditors' remuneration

	30 June 2016 \$	30 June 2015 \$
<u>Audit services</u>		
Audit services	50,000	55,000
Audit of compliance plan	7,060	9,300
	57,060	64,300
<u>Other services</u>		
Taxation compliance services	27,500	25,000
Taxation services – other	-	57,000
	84,560	146,300

360 Capital Total Return Fund
Notes to the financial report
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Note 8: Earnings per stapled security

	30 June 2016	30 June 2015
	¢	¢
Basic and diluted profit/(loss) per stapled security	16.4	(10.6)
	\$'000	\$'000
Basic and diluted earnings		
Profit/(loss) attributable to stapled securityholders of 360 Capital Total Return Fund used in calculating (loss)/profit per stapled security	5,904	(1,467)
	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities – basic and diluted	35,914	13,903

Note 9: Receivables

	30 June 2016	30 June 2015
	\$'000	\$'000
Current		
Distribution receivable	1,448	476
Prepayments & other debtors	40	145
	1,488	621

a) Bad and doubtful trade receivables

During the year, the Fund made Nil (2015: \$Nil) provision in respect of bad and doubtful receivables.

b) Fair values

The receivables are carried at amounts that approximate their fair value. There are no receivables where the fair value would be materially different from the carrying value.

c) Credit risk

There is a limited amount of credit risk - refer to Note 14 for more information on the risk management policy of the Trust.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 10: Financial assets at fair value through the profit or loss

	30 June 2016 \$'000	30 June 2015 \$'000
Non-current		
Units in property funds	38,751	11,227
Total	38,751	11,227

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

	30 June 2016 \$'000	30 June 2015 \$'000
Balance at 1 July	11,227	-
Financial assets acquired – on market	24,003	12,483
Fair value adjustment of financial assets	3,521	(1,256)
Closing balance	38,751	11,227

Note 11: Assets held for sale

	30 June 2016 \$'000	30 June 2015 \$'000
Investment properties		
8 Rodborough Road, Frenchs Forest NSW	-	12,000
357-373 Warringah Road, Frenchs Forest NSW	-	14,000
	-	26,000

On 30 September 2015 the Fund settled the disposal of two properties located at 8 Rodborough Road and 357-373 Warringah Road, Frenchs Forest NSW for a combined sale price of \$26.0 million.

360 Capital Total Return Fund
Notes to the financial report
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Note 12: Trade and other payables

	30 June 2016 \$'000	30 June 2015 \$'000
Trade payables and accruals	74	413
	74	413

All trade and other payables are expected to be settled within 12 months.

Note 13: Equity

(a) Issued capital

	30 June 2016 000's	30 June 2015 000's
360 Capital Total Return Passive Fund - Ordinary securities issued	30,663	39,678
360 Capital Total Return Active Fund - Ordinary securities issued	30,663	39,678
	\$'000	\$'000
360 Capital Total Return Passive Fund - Ordinary securities issued	54,679	63,453
360 Capital Total Return Active Fund - Ordinary securities issued	6,200	7,747
Total issued capital	60,879	71,200

(b) Movements in issued capital

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

	30 June 2016 000's	30 June 2015 000's
Opening balance at 1 July	39,678	767,850
Security buy back	(9,015)	-
Institutional capital raising – 21 April 2015	-	32,000
Scrip for scrip offer (1:100) – 21 April 2015	-	(760,172)
Closing balance	30,663	39,678

During the year ended 30 June 2016, the Fund bought back 9.0 million units (22.7% of total units on issue) for a total consideration of \$10.3 million at the applicable daily market rate per unit.

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

	30 June 2016 \$'000	30 June 2015 \$'000
Opening balance at 1 July	71,200	32,468
Security buy back	(10,308)	-
Institutional capital raising – 21 April 2015	-	40,000
Transaction costs incurred in issuing capital	(13)	(1,268)
Closing balance	60,879	71,200

360 Capital Total Return Fund
Notes to the financial report
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Note 14: Other financial assets and liabilities

Overview

The Fund's activities expose it to various types of financial risks including credit risk, liquidity risk, and market risk. The Board of Directors of the Responsible Entity has responsibility for the establishment and oversight of the risk management framework ensuring the effective management of risk.

The Board has established risk management principles and policies and monitor their implementation. Policies are established to identify and analyse the financial risks faced by the Fund, to set appropriate risk limits and controls, and monitor the risks and adherence to limits. The Board meets regularly to review risk management policies and systems and ensure they reflect changes in market conditions and the Fund's activities.

The nature and extent of the financial instruments and the risk management policies employed by the Fund are discussed in this section.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund is exposed to credit risk through the financial assets listed in the table below. The table also details the maximum exposure to credit risk for each class of financial instrument.

	30 June 2016 \$'000	30 June 2015 \$'000
Cash and cash equivalents	1,094	12,024
Receivables	1,488	621
Financial assets at fair value through profit or loss	38,751	11,227
Total	41,333	23,872

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. At reporting date, there are no issues with the credit quality of financial assets that are neither past due nor impaired, and all amounts are expected to be received in full.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Fund's market risk is managed in accordance with the investment guidelines as outlined in the Fund's Product Disclosure Statement.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 14: Other financial assets and liabilities (continued)

Interest rate risk

The Fund's interest rate risk arises from cash balances. The potential impact of a change in interest rates by +/-1% on profit has been disclosed in a table below.

The Fund's exposure to interest rate risk by maturity period is:

	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing more than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
30 June 2016						
<u>Financial assets</u>						
Cash and cash equivalents	1,094	-	-	-	-	1,094
Trade and other receivables	-	-	-	-	1,488	1,488
Total financial assets	1,094	-	-	-	1,488	2,582
Weighted average interest rate	2.00%					
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	74	74
Distributions payable	-	-	-	-	460	460
Total financial liabilities	-	-	-	-	534	534
Weighted average interest rate	n/a					
Net financial assets (liabilities)	1,094	-	-	-	954	2,048
30 June 2015						
<u>Financial assets</u>						
Cash and cash equivalents	12,024	-	-	-	-	12,024
Trade and other receivables	-	-	-	-	621	621
Total financial assets	12,024	-	-	-	621	12,645
Weighted average interest rate	1.5%					
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	413	413
Distributions payable	-	-	-	-	1,115	1,115
Total financial liabilities	-	-	-	-	1,528	1,528
Weighted average interest rate	n/a					
Net financial assets (liabilities)	12,024	-	-	-	(907)	11,117

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 14: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis

The table below illustrates the potential impact a change in interest rates by +/-1% would have had on the Fund's profit.

		Change in interest rate	
		-1%	1%
	Carrying amount \$'000	Profit \$'000	Profit \$'000
30 June 2016			
<u>Financial assets</u>			
Cash and cash equivalents	1,094	(11)	11
Total (decrease)/increase		(11)	11
30 June 2015			
<u>Financial assets</u>			
Cash and cash equivalents	12,024	(120)	120
Total (decrease)/increase		(120)	120

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Board has a policy of prudent liquidity risk management ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund monitors its exposure to liquidity by ensuring that there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due.

The maturities of financial liabilities at reporting date based on the contractual terms of each liability in place at reporting date have been disclosed in a table below. There are no financial liabilities where the fair value would be materially different from the amortised cost. The amounts disclosed are based on undiscounted cash flows.

The following are contractual maturities of financial liabilities, including estimated interest payments (using existing variable interest rates):

	Carrying amount \$'000	Contractual cash flow \$'000	Less than 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000
30 June 2016					
Trade and other payables	74	74	74	-	-
Distribution payable	460	460	460	-	-
	534	534	534	-	-
30 June 2015					
Trade and other payables	413	413	413	-	-
Distributions payable	1,115	1,115	1,115	-	-
	1,528	1,528	1,528	-	-

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 14: Other financial assets and liabilities (continued)

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund and classified on the statement of financial position as financial assets at fair value through profit or loss. The Fund is not exposed to commodity price risk.

These risks include, but are not limited to, exposure from different investment classes. The overall risk to exposures from investments is monitored and managed by the Board.

The table below illustrates the potential impact a change in the listed security price by +/-1% would have had on the Fund's profit.

		Change in listed security price	
		-1%	1%
	Carrying amount \$'000	Profit \$'000	Profit \$'000
30 June 2016			
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	38,751	(388)	388
Total increase/(decrease)		(388)	388
30 June 2015			
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	11,227	(112)	112
Total increase/(decrease)		(112)	112

Other markets risk

The Fund does not have any material exposure to any other market risks such as currency risk or equity price risk.

Fair values

The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 30 June 2016:

The fair values of receivables, trade and other payables and distributions payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

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)

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 14: Other financial assets and liabilities (continued)

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 30 June 2016	38,751	38,751	-	-
Financial assets at fair value through profit or loss as at 30 June 2015	11,227	11,227	-	-

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 unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments.

360 Capital Total Return Fund
Notes to the financial report
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Note 15: Cash flow information

(a) Reconciliation of cash and cash equivalents

	30 June 2016 \$'000	30 June 2015 \$'000
Cash at bank	1,094	12,024
Cash and cash equivalents in the statement of cash flows	1,094	12,024

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

	30 June 2016 \$'000	30 June 2015 \$'000
Net (loss)/profit for the year	5,904	(1,467)
<u>Adjustment for:</u>		
Net change in fair value of investment property	-	2,255
Net loss on disposal of investment properties	344	-
Net change in fair value of financial assets	(3,521)	1,256
Transaction costs	283	-
Payment to "A" Class unitholders	410	-
<u>Change in assets and liabilities</u>		
Increase in receivables	(867)	(453)
Increase in payables	(340)	42
Net cash inflows from operating activities	2,213	1,634

Note 16: Capital commitments and contingencies

There are no capital commitments or contingent liabilities as at 30 June 2016 (30 June 2015: \$Nil).

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 17: Related party transactions

Responsible entity

The Responsible Entity of the Fund is 360 Capital Investment Management Limited. The immediate parent entity of the Responsible Entity is 360 Capital Property Limited (ABN 46 146 484 433), and its ultimate parent entity is 360 Capital Group Limited (ABN 18 133 569 136).

The registered office and the principal place of business of the Responsible Entity is:

360 Capital Investment Management Limited
Level 8, 56 Pitt Street
Sydney, NSW 2000

Controlled entities

Interests in controlled entities are set out in Note 18.

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.

	30 June 2016 \$	30 June 2015 \$
Fees for the year paid/payable by the Fund:		
<u>Management of the Fund</u>		
Management fees	310,189	62,454
Fund recoveries	19,993	331,870
	330,182	394,324
<u>Other fees</u>		
Acquisition fees	246,021	124,838
Disposal fees	260,000	-
Total	836,203	519,162

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

Performance Fee: The Responsible Entity is entitled to a Performance Fee of 20% of any total return in excess of 12% p.a. The calculation of total return is based on actual distributions paid to Stapled 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.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2016

Note 17: Related party transactions (continued)

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:

	30 June 2016	30 June 2015
360 Capital Property Limited		
Number of stapled securities held	7,449,415	4,000,000
Interest % held	24.3%	10.1%
Distributions paid/payable by the Fund (\$)	559,784	112,400

Key management personnel

The Trust does not employ personnel in its own right. However, it has an incorporated Responsible Entity, 360 Capital Investment Management Limited, to manage the activities of the Trust. The directors and key management personnel of the Responsible Entity are detailed below. No compensation is paid directly by the Trust to directors or to any of the key management personnel of the Responsible Entity.

Payments made by the Trust to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel.

Directors

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

Management personnel unitholdings

The number of units held directly or indirectly by Directors, Key Management Personnel and their related parties as at 30 June 2016 are as follows:

Name	Position	30 June 2015 Equity Holding	Acquisitions	30 June 2016 Equity Holding
David van Aanholt	Director	Nil	-	Nil
Tony Robert Pitt	Director	Nil	150,000	150,000
William John Ballhausen	Director	60,000	-	60,000
Graham Ephraim Lenzner	Director	50,000	-	50,000
Andrew Graeme Moffat	Director	200,000	-	200,000

360 Capital Total Return Fund
Notes to the financial report
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Note 18: Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries controlled by 360 Capital Total Return Passive Fund:

Name of entity	Country of Domicile	Class of units	Equity Holding	
			30 June 2016	30 June 2015
360 Capital Total Return Active Fund	Australia	Ordinary	100	100
CVC Property Fund	Australia	Ordinary	100	100
Frenchs Forest No.1 Trust	Australia	Ordinary	100	100
Frenchs Forest No.2 Trust	Australia	Ordinary	100	100

Note 19: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Total Return Passive Fund. The information presented below has been prepared using the consistent accounting policies as presented in Note 21.

	30 June 2016 \$'000	30 June 2015 \$'000
Current assets	599	4,489
Non-current assets	38,751	25,873
Total assets	39,350	30,362
Current liabilities	508	1,614
Non-current liabilities	14,605	-
Total liabilities	15,112	1,614
Issued units	22,212	30,985
Retained earnings	2,026	(2,238)
Total equity	24,238	28,748
Net profit/(loss) for the year	5,635	(1,123)
Total comprehensive loss for the year attributable to unitholders	5,635	(1,123)

360 Capital Total Return Fund
Notes to the financial report
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Note 20: Events subsequent to balance date

No circumstances have arisen since the end of the 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.

Note 21: Statement of significant accounting policies

a) Changes in accounting policy

As a result of new or revised accounting standards which became effective for the financial reporting year commencing 1 July 2015, the Fund has changed some of its accounting policies. The affected policies and standards that are applicable to the Fund are:

- AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements;
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards – 2012-2014 Cycle;
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 – Materiality; and
- AASB 1057 Application of Australian Accounting Standards

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

b) Basis of consolidation

Stapling

On 21 April 2015, 360 Capital Total Return Fund was formed by stapling together the units of the 360 Capital Total Return Passive Fund and the units of 360 Capital Total Return Active Fund. The Fund was subsequently listed on 22 April 2015. Following approval at a CJT unitholder meeting held on 21 January 2015, CJT was restructured including the acquisition by the Passive Fund of all issued units in CJT, the issue of 1 Passive Fund unit for every 100 CJT units, and the stapling of each Passive Fund unit to an Active Fund unit.

The Fund has determined that the Passive Fund is the parent entity in the stapling arrangement.

For statutory reporting purposes, the Fund reflects the consolidated entity being the Passive Fund (the acquirer) and its controlled entities. On the basis that the Passive Fund does not hold any interest in the Active Fund, the net assets, profit or loss and other comprehensive income of the Active Fund are considered non-controlling interests and are therefore disclosed separately.

The Constitutions of the Passive Fund and the Active Fund ensure that, for so long as these entities remain jointly listed, the number of units in the Passive Fund and the number of units in the Active Fund shall be equal and that unitholders in both funds be identical. Both the Responsible Entity of the Passive Fund and the Active Fund must at all times act in the best interest of consolidated entity.

The stapling arrangement will cease upon the earlier of the winding up of any of the stapled entities, or any of the entities terminating the stapling arrangement.

Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Fund as at 30 June 2016 and the results of all controlled entities for the period then ended.

360 Capital Total Return Fund
Notes to the financial report
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b) Basis of consolidation (continued)

Controlled entities are entities controlled by the Fund. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of controlled entities are included in the financial report from the date that control commences until the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Fund entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Investments in controlled entities are accounted for at cost in the individual financial statements of the parent entity, less any impairment.

c) Segment reporting

Segment information is presented in respect of the Fund's operating segments, which are the primary basis of segment reporting. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments. The primary segments are based on the Fund's management and internal reporting structure.

Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker within the Fund.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of GST paid. Revenue is recognised for the major business activities as follows:

Rental from investment properties

Rental revenue from investment properties is recognised on a straight-line basis over the lease term where leases have fixed increments, otherwise on an accruals basis. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, a current liability. Lease incentives granted are recognised over the lease term on a straight-line basis as a reduction of rental revenue.

Distributions from property funds

Distribution income from investments is recognised when the unitholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the unitholder and the amount of income can be measured reliably.

Finance revenue

Interest income is recognised on a time proportion basis using the effective interest method. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Other income

Other income is recognised when the right to receive the revenue has been established.

360 Capital Total Return Fund
Notes to the financial report
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e) Finance expenses

Finance expenses which include interest and amortised borrowing costs are recognised using the effective interest rate applicable to the financial liability.

f) Income tax

Under current Australian income tax legislation, the Active Fund and Passive Fund are generally not liable for income tax provided their taxable income and taxable capital gains are fully distributed to unitholders each year. In the circumstances if a managed investment trust undertakes certain trading activities that trust may be liable to pay income tax.

g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

i) Receivables

Receivables are recognised initially at fair value and subsequently at amortised cost. The payment terms are usually 30 days after the invoice is raised. They are classified as current assets except where the maturity is greater than 12 months after the reporting date in which case they are classified as non-current.

Amounts not recoverable are assessed at each reporting date. Indicators that an amount is not recoverable include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. Any allowances for non-recoverable receivables are recognised in a separate allowance account. Any bad debts which have previously been provided for are eliminated against the allowance account. In all other cases bad debts are written off directly to the statement of profit or loss.

j) Financial instruments

Financial assets and financial liabilities are recognised when a Fund entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: "Receivables" and "Financial assets at fair value through profit or loss". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

360 Capital Total Return Fund
Notes to the financial report
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j) Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprises investments in unlisted and listed funds. Upon initial recognition, the investments are designated at fair value through profit or loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risk and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of profit or loss within income or expenses in the period in which they arise. Dividend/distribution income from financial assets at fair value through profit and loss is recognised in the statement of profit or loss as part of revenue from continuing operations when the Fund's right to receive payments is established.

Receivables

Refer to Note 21 (i).

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Impairment

The Fund assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

k) Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets must meet the following criteria:

- the asset is available for immediate sale in its present condition and is highly probable;
- an active program to locate a buyer and complete a sale must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be completed within 12 months from the date of classification.

Immediately before applying the classification as held for sale, the measurement of the assets is brought up to date in accordance with applicable accounting standards.

Investment properties which are classified as held for sale are carried at fair value as the measurement provisions of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* do not apply to investment properties.

Impairment losses determined at the time of initial classification of the non-current asset as held for sale are included in the statement of profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

l) Investment properties

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation, or both. Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the statement of profit or loss in the period. An external, independent valuer with appropriately recognised professional qualification and recent experience in the location and category of the property being valued, values the individual properties when considered appropriate as determined by management in accordance with a Board approved valuation policy. Valuation methods used to determine the fair value include market sales comparison, discounted cash flow and capitalisation rate. The fair value for a property may be determined using a combination of these and other valuation methods.

These external valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without prejudice.

m) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Fund prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Borrowings

Interest bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Transaction costs are amortised over the term of the borrowing and the balance of transaction costs is amortised immediately upon a borrowing being substantially renegotiated, refinanced or repaid in full.

o) Provisions

A provision is recognised in the statement of financial position when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

Distributions

A provision for distributions payable is recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Directors on or before the end of the financial period, but not distributed at balance date.

p) Issued capital

Issued capital represents the amount of consideration received for stapled securities issued by the Fund. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

r) Accounting standards issued but not yet effective

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2016. 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 instruments. This is not expected to materially impact the Fund's financial statements
- AASB 15 – *Revenue from Contracts with Customers (Effective January 1, 2018)*. 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. At this stage we are currently assessing whether it is likely to impact on the Fund's financial statements

In addition to those above, the following amendments have been issued due to amendments of related standards and the annual improvements cycles:

- AASB 2016-2 *Disclosure Initiative: Amendments to AASB 107 (Effective January 1, 2017)*

The recently issued amendments are not expected to have a significant impact on the amounts recognised in the financial statements at the effective date.

360 Capital Total Return Fund
Directors' declaration
For the year ended 30 June 2016

In the opinion of the Directors of 360 Capital Investment Management Limited:

- 1) The consolidated financial statements and notes that are set out on pages 8 to 34 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 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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.
- 3) The Directors have given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2016.
- 4) The Directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Tony Robert Pitt
Director

Sydney
24 August 2016



Graham Ephraim Lenzner
Director

Independent auditor's report to the unitholders of 360 Capital Total Return Passive Fund

Report on the Financial Report

We have audited the accompanying financial report of 360 Capital Total Return Passive Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the declaration of the directors of 360 Capital Investment Management Limited, the Responsible Entity of the consolidated entity, comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

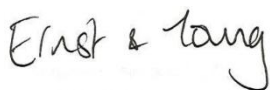
Independence

In conducting our audit, 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 forms part of the directors' report.

Opinion

In our opinion:

- a. the financial report of 360 Capital Total Return Passive Fund is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Ernst & Young



Mark Conroy
Partner
Sydney
24 August 2016

360 Capital Total Return Fund
Securityholder information
For the year ended 30 June 2016

Information below was prepared as at 21 August 2016

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
360 CAPITAL PROPERTY LIMITED	7,449,415	24.29
CVC LTD	3,014,918	9.83
WYLLIE GROUP PTY LTD	1,600,000	5.21
MOELIS AUSTRALIA ASSET MANAGEMENT LTD	1,530,000	4.98
NATIONAL NOMINEES LIMITED	1,379,808	4.49
CITICORP NOMINEES PTY LIMITED	351,640	1.14
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	313,916	1.02
J P MORGAN NOMINEES AUSTRALIA LIMITED	293,750	0.95
DUCTMATE PTY LTD	280,000	0.91
J B HOLDINGS PTY LTD	213,770	0.69
DR ANDREW ALEXANDER CHANG	201,200	0.65
ARNOLD BRAM SUPERANNUATION NOMINEES PTY LTD	200,000	0.65
COWOSO CAPITAL PTY LTD	200,000	0.65
PENASHE HOLDINGS PTY LTD	160,000	0.52
SECURITIES & ESTATES PTY LTD	138,000	0.45
SECURITIES & ESTATES PTY LTD	138,000	0.45
VALIN PTY LTD	132,000	0.43
MR COLIN ALFRED GREEN & MR DAVID FLOWERS	120,000	0.39
RAMM INVESTMENTS PTY LTD	120,000	0.39
MR WAYNE EDWARD MOBBS & MRS ROSEMARY ANNE MOBBS	120,000	0.39
Total securities held by Top 20 securityholders	17,956,417	58.56
Total securities on issue	30,662,688	100.00

b) Distribution of securityholders:

Number of securities held by unitholders	Number of holders	Securities held	% of issued securities
1 to 1,000	249	26,331	0.09
1,001 to 5,000	66	233,118	0.76
5,001 to 10,000	108	899,935	2.94
10,001 to 100,000	359	11,189,700	36.49
100,001 and over	23	18,313,604	59.73
Total	805	30,662,688	100.00

The total number of securityholders with less than a marketable parcel was 232 and they hold 12,928 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
360 Capital Property Limited	15/04/16	7,599,415	24.78
CVC Limited	15/04/16	3,014,918	9.83

360 Capital Total Return Fund

Glossary

For the year ended 30 June 2016

Term	Definition
\$ or A\$ or cents	Australian currency
360 Capital Total Return Passive Fund	The managed investment scheme (ARSN 602 304 432) that represents part of the stapled entity, 360 Capital Total Return Fund
360 Capital Total Return Active Fund	The managed investment scheme (ARSN 602 303 613) that represents part of the stapled entity, 360 Capital Total Return Fund
The Fund, 360 Capital Total Return Fund	360 Capital Total Return Fund, the stapled entity comprising 360 Capital Total Return Passive Fund and 360 Capital Total Return Active Fund
AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the market operated by it as the context requires
ASX Guidelines	The ASX Principles of Good Corporate Governance and Best Practice Guidelines
Board	Board of Directors of the Responsible Entity
CGT	Capital gains tax
Constitution	The constitution of the Fund, as amended
Consolidated entity	360 Capital Total Return Fund, the stapled entity comprising 360 Capital Total Return Passive Fund and 360 Capital Total Return Active Fund
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer price index
Cps	Cents per Security
Director/s	A director of the Responsible Entity
Distribution yield	Rate of return derived by dividing distribution per Unit by the price
Earnings yield	Rate of return derived by dividing earnings per Unit by the price
FOS	Financial Ombudsman Service
Fund Investment Committee	The committee established to oversee the Fund's investments, key recruitment and policies
FY	Financial year (1 July to 30 June)
Gross Proceeds	The aggregate of all moneys (including all rent, licence fees, outgoings and all other amounts) received from tenants and other occupants and users of the real property assets (held directly or indirectly) of the Fund
GST	Goods and services tax (Australia)
HY	Half Year (half year from 1 July to 31 December or 1 January to 30 June)
IFRS	International Financial Reporting Standards
NPI	Net property income
NTA	Net tangible assets as per the balance sheet
NTA per Unit	Net tangible assets divided by the number of Units on issue
Operating earnings	Operating earnings is statutory net profit adjusted for non-cash and significant items
p.a.	Per annum
Property/ies	A property or properties owned or to be owned by the Fund
Responsible Entity	360 Capital Investment Management Limited (ACN 133 363 185, AFSL 340 304)
Sqm	Square metres
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
YTD	Year to date

360 Capital Total Return Fund
Corporate directory
For the year ended 30 June 2016

Parent Entity

360 Capital Total Return Passive Fund
ABN 28 254 642 437
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone (02) 8405 8860 Email: investor.relations@360capital.com.au

Directors & Officers

Non-Executive Directors

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

Executive Director

Tony Robert Pitt (Managing Director)

Officers

Ben James - Chief Investment Officer
Glenn Butterworth - Chief Financial Officer
Alan Sutton - Company Secretary
Charisse Nortje - Company Secretary

Custodians

360 Capital Investment Management Limited
ACN 133 363 185
AFSL 340 304
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone 02 8405 8860 Email: investor.relations@360capital.com.au

Share & Unit Registry

Boardroom Pty Limited
ACN 003 209 836
Grosvenor Place, Level 12, 255 George Street Sydney NSW 2000
Telephone 1800 182 257 Email: enquiries@boardroomlimited.com.au

Auditor

Ernst & Young
680 George Street Sydney NSW 2000

Website

www.360capital.com.au