



ASX Release

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360 Capital Total Return Fund (ASX: TOT)

21 August 2019

Appendix 4E

For the year ended 30 June 2019

Page 1 of 2

360 Capital Total Return Fund comprises the stapling of 360 Capital FM Limited (ABN 15 090 664 396 AFSL 221474) as Responsible Entity for 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 2019. 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 2019 is attached and forms part of this Appendix 4E.

Details of reporting period

Current reporting period: 1 July 2018 – 30 June 2019

Prior corresponding period: 1 July 2017 – 30 June 2018

Results announcement to the market

	30 Jun 2019 \$'000	30 Jun 2018 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	9,154	3,103	6,051	195.0
Profit attributable to stapled securityholders for the year	7,591	2,414	5,177	214.5
Operating profit ¹	8,029	5,916	2,113	35.7

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 Responsible Entity considers 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 1 of the Financial Report.

	30 Jun 2019 Cents per security	30 Jun 2018 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	11.2	3.7	7.5	202.7
Operating profit per security	11.8	9.0	2.8	31.1



ASX Release

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Distributions

	Cents per Security	Total paid	Date of payment
September quarter distribution	3.00	1,975	25 October 2018
December quarter distribution	3.00	2,024	24 January 2019
March quarter distribution	3.00	2,074	24 April 2019
June quarter distribution	3.00	2,107	25 July 2019
Total distribution for the year ended 30 June 2019	12.00	8,180	
September quarter distribution	2.25	1,482	26 October 2017
December quarter distribution	2.25	1,482	25 January 2018
March quarter distribution	2.25	1,482	24 April 2018
June quarter distribution	2.25	1,482	25 July 2018
Total distribution for the year ended 30 June 2018	9.00	5,928	

Distribution reinvestment plan

During the year the Fund introduced a Distribution Reinvestment Plan (DRP) which was activated from the September 2018 quarter to the March 2019 quarter. Refer to Note 11 of the Financial Report for more details.

Net tangible asset per security

	30 Jun 2019 \$	30 Jun 2018 \$
NTA per security	1.17	1.19

Control Gained or Lost over Entities during the year

Refer to Note 16 Controlled Entities of the Financial Report.

Details of Associates and Joint Venture Entities

Refer to Note 8 Investments Equity Accounted of the Financial Report.



360 Capital



360 CAPITAL TOTAL RETURN FUND

Annual Report

FOR THE YEAR ENDED 30 JUNE 2019

360 CAPITAL TOTAL RETURN FUND COMPRISES 360 CAPITAL TOTAL RETURN PASSIVE FUND (ARSN 602 304 432) AND 360 CAPITAL TOTAL RETURN FUND ACTIVE FUND (ARSN 602 303 613)



360 CAPITAL TOTAL RETURN FUND

Financial Report For the year ended 30 June 2019

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 2019

The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report together with the financial report of 360 Capital Total Return Fund (Fund or consolidated entity) (ASX: TOT) for the year ended 30 June 2019. 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 FM Limited during the year up to the date of this report, unless otherwise stated:

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

Principal activities

The 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. The Fund is currently focused on the real estate debt sector.



Wide Real Estate Mandate






- repositioning assets
- investing in investment properties
- underwriting potential capital raisings including syndicates and both unlisted and listed funds
- strategic positions in unlisted funds
- capitalising on mispriced trading opportunities in the AREIT sector
- participating in mergers and acquisition activities
- special situations within markets including distressed sales, investments with restructuring potential

Where is TOT Investing?

- TOT has been investing in real estate debt for the past two years as the Banking Royal Commission and changes to prudential regulation created a significant non-bank lending opportunity
- TOT has recommenced investing in equity through its investment in URB Investments (ASX: URB) at a discount to its Net Tangible Assets

Operating and financial review





Key financial highlights for the year ended 30 June 2019

	Statutory net profit \$7.6m (2018: \$2.4 million)	Increase in statutory net profit attributable to securityholders driven by growth of finance revenue from real estate debt investments
	Operating profit \$8.0m (2018: \$5.9 million)	Operating profit ¹ of \$8.0 million reflecting a 35.7% increase on prior year
	Distributions per security (DPS) 12.0cps (2018: 9.0 cps)	Increase in distributions to 12.0 cps or 33.3% increase on prior year
	Net tangible assets per security \$1.17 (2018: \$1.19)	Net Tangible Assets (NTA) reduction due to the impact of a loss allowance on the Fund's loan portfolio on adoption of AASB 9, equating to \$0.02 per security
	ASX closing price \$1.18 per security (2018: \$1.26)	The Fund's closing price reflects a 10.1% distribution yield based on the DPU. The Fund continues to trade in line with NTA

¹ Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash items and significant items. The 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 securityholder. 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 1: Segment reporting.

Operating and financial review (continued)

Key operational achievements for the year ended 30 June 2019

	Loan Book \$46.1 Senior loans written during year	AMF Finance continues to gain traction in the market, originating over \$46 million of senior construction and residual stock loans during the year
	Repayment of loan investments \$56.6m Repaid during year	The Fund has been repaid \$56.6 million in loan investments during the year. The Fund is reviewing a number of new loan investment opportunities to reinvest available cash
	Average IRR 15.9% On realised loan investments	A total of \$56.6m of loans have been repaid during the year, delivering Securityholders with a weighted average IRR of 15.9%
	Building active revenue streams through AMF 2% Establishment fee	50% ownership in AMF Finance continues to benefit TOT from active revenue streams in the form of establishment fees on loan transactions written by 360 Capital Group entities including TOT and private client funding

Financial overview

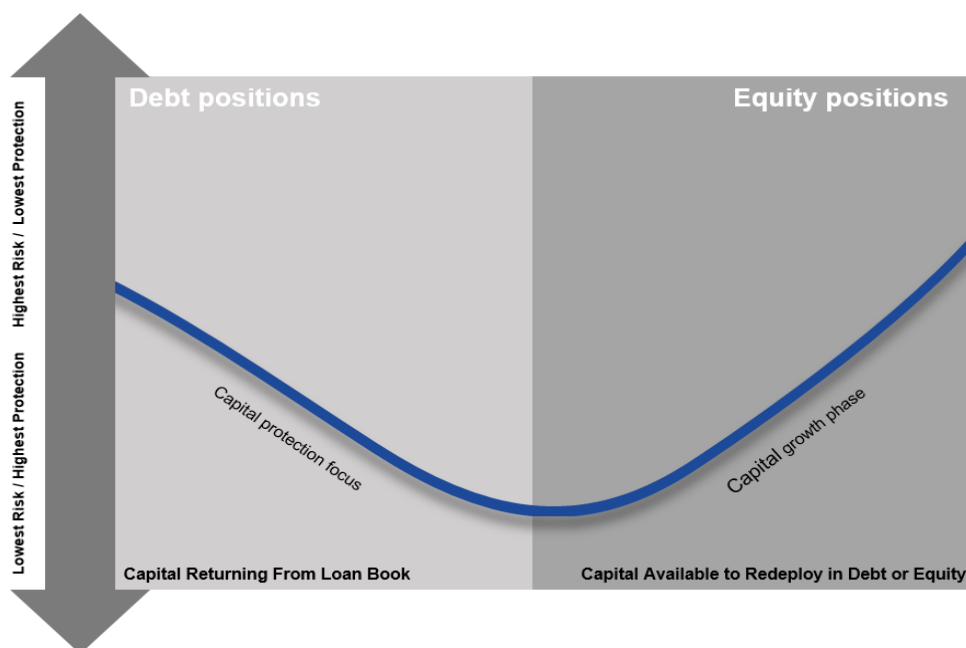
The Fund's statutory profit attributable to securityholders for the year was \$7.6 million (2018: \$2.4 million). The profit for the year included \$8.7 million (2018: \$2.5 million) of finance revenue generated by interest on cash held and loans receivable deployed across the financial year.

The Fund's operating profit (profit before specific non-cash and significant items) for the year ended 30 June 2019 was \$8.0 million (2018: \$5.9 million).

As at 30 June 2019 the Fund has provided for a \$1.1 million loss allowance on loans receivable. Following the first-time adoption of AASB 9, the new accounting standard requires a provision to be recognised based on the probability of future expected credit loss not on an actual incurred loss basis as previously required. Whilst the Fund has recognised a loss allowance on the loans receivable, all the loans are currently performing and there has been no decline in the credit risk of borrowers.

Investment strategy

Given the Responsible Entity's opinion that we are entering the late stage of the real estate cycle, TOT is capitalising on its broad mandate and focusing on real estate debt investment which it believes provides higher risk adjusted returns than equity investing. The self-liquidating nature of TOT's loan investments provide flexibility, allowing TOT to consider equity investment opportunities should market conditions change.



Current loan portfolio

6

Loan investments

\$69.8m

Loan book¹

67.6%

Loan to value ratio

\$169.6m

Projected end value^{1,2}

\$53.7m

First loss buffer^{2,3}

11.0%

Average interest rate

Current loan portfolio

The above represents a summary of the Fund's loan portfolio as at the date of this report. The loan investments are predominantly first mortgage security and are located across Australia with 57.0% located in New South Wales. The loans comprise a range of asset types with 22.4% hotel and accommodation assets and 77.6% residential (by loan value).

1. Facility amount including capitalised interest and fees, including Greenway and Port Coogee redraw loan investment
2. Based on "As if Complete" valuation (net of GST) of underlying property asset
3. Calculated "As if Complete" valuation (net of GST) less facility amounts (including capitalised interest and fees) and senior facility on 900 Hay Street, Perth WA
4. Weighted average interest rate inclusive of line-fee and interest margin

360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2019

Debt origination and management joint venture

The Fund holds a 50% stake in AMF Finance Pty Limited (AMF). AMF originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT.

AMF has begun to establish itself as a major non-bank real estate debt originator. AMF has built strong relationships with the Australian banks and over 100 accredited brokers, and these relationships have delivered a strong track record to-date and are providing a robust and growing pipeline of transaction opportunities over time. This revenue stream will add to the Fund's active earnings.

URB Investment

During the year, TOT recommenced investing in equity through its investment in URB Investments (ASX: URB) at a discount to its Net Tangible Asset value. At the balance date, TOT had acquired a 6.3% stake in URB for \$4.5 million and subsequent to balance date has invested a further \$4.0 million and increased its stake to 11.3%¹. TOT will continue to monitor this investment and will remain disciplined not to dilute TOT's capital base.

Capital management

During the year, 360 Capital established the 360 Capital Senior Loan Series – August 2018 ("Senior Loan Fund") wholesale investment fund to facilitate the sell down of two existing loan investments within TOT and to expand and diversify TOT's investment loan book. TOT held a controlling interest in the Senior Loan Fund during the year prior to it being wound up on 31 May 2019. Accordingly, the results of the Senior Loan Fund have been consolidated into the results of the Fund for the period from 31 August 2018 to 31 May 2019.

The Fund's Distribution Reinvestment Plan (DRP) was active from the September 2018 quarterly distribution to the March 2019 quarterly distribution, raising a total of \$5.2 million and issued 4.4 million securities. The September 2018 and December 2018 quarter DRP's were fully underwritten.

Outlook

The Fund's strategy remains focused on identifying unique real estate-based investment opportunities 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 across debt and equity investments in direct and indirect property assets.

Distributions

Total distributions paid or payable to securityholders by the Fund for the year ended 30 June 2019:

	30 June 2019 \$'000	30 June 2018 \$'000
September 2017 quarterly distribution 2.25 cps paid on 26 October 2017	-	1,482
December 2017 quarterly distribution 2.25 cps paid on 25 January 2018	-	1,482
March 2018 quarterly distribution 2.25 cps paid on 24 April 2018	-	1,482
June 2018 quarterly distribution 2.25 cps paid on 25 July 2018	-	1,482
September 2018 quarterly distribution 3.0 cps paid on 25 October 2018	1,975	-
December 2018 quarterly distribution 3.0 cps paid on 24 January 2019	2,024	-
March 2019 quarterly distribution 3.0 cps paid on 24 April 2019	2,074	-
June 2019 quarterly distribution 3.0 cps paid on 25 July 2019	2,107	-
	8,180	5,928

¹ Based on TOT's holding on 20 August 2019

360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2019

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 in line with the Funds stated strategy.

Events subsequent to balance date

Subsequent to balance date the Fund had invested a further \$4.0 million into its investment in URB and increased its stake to 11.3%².

No other 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.

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. During the year ended 30 June 2019 there were no units bought back and cancelled (2018: 71,133).

Distribution Reinvestment Plan

During the year the Fund introduced a Distribution Reinvestment Plan (DRP) which was activated from the September 2018 quarterly distribution to the March 2019 quarterly distribution. The Fund issued 4.4 million securities and raised a total of \$5.2 million under the DRP during the year. Securities were issued at a 1.5% discount to the Fund's 10 day weighted average trading price as per the Fund's DRP policy.

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 4,371,752 new securities issued during the year (2018: Nil).

Number of interests on issue

As at 30 June 2019 the number of securities on issue in the Fund was 70,225,399 (2018: 65,853,647).

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

As at 30 June 2019 related parties of the Responsible Entity held securities in the Fund, as detailed in Note 21 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 21 to the financial statements.

² Based on TOT's holding on 20 August 2019

360 Capital Total Return Fund
Responsible Entity report
For the year ended 30 June 2019

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 19 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.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of the Responsible Entity's report for the year ended 30 June 2019.

Rounding of amounts

360 Capital Total Return Fund is an entity of the kind referred to in ASIC 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 annual 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.



David van Aanholt
Chairman



Tony Robert Pitt
Managing Director

Sydney
21 August 2019

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

As lead auditor for the audit of the financial report of 360 Capital Total Return Passive Fund for the financial year ended 30 June 2019, 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
21 August 2019

360 Capital Total Return Fund
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

		30 June 2019 \$'000	30 June 2018 \$'000
	Note		
Revenue from continuing operations			
Finance revenue	3	8,691	2,463
Distribution income		4	5
Total revenue from continuing operations		8,695	2,468
Other income			
Net gain on fair value of financial assets	7	275	9
Net gain on disposal of financial assets	7	-	274
Share of equity accounted profits	8	45	352
Other income		139	-
Total other income		459	635
Total revenue from continuing operations and other income		9,154	3,103
Administration expenses		225	212
Management fees	21	559	555
Transaction costs		9	33
Loss allowance on loans receivable	6	630	-
Profit from continuing operations		7,731	2,303
Income tax expense/(benefit)	4	60	(111)
Total comprehensive income for the year		7,671	2,414
Total comprehensive income attributable to:			
Securityholders of 360 Capital Total Return Passive Fund		7,296	2,023
Securityholders of 360 Capital Total Return Active Fund		295	391
Profit attributable to the stapled securityholders		7,591	2,414
External non-controlling interests		80	-
Profit for the period		7,671	2,414
Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Total Return Fund		cents	cents
Basic and diluted profit per security	20	11.2	3.7

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

360 Capital Total Return Fund
Consolidated statement of financial position
As at 30 June 2019

		30 June 2019 \$'000	30 June 2018 \$'000
	Note		
Current assets			
Cash and cash equivalents	12	42,333	40,089
Receivables	5	132	1
Loans receivable	6	23,184	33,152
Financial assets at fair value through profit or loss	7	64	-
Total current assets		65,713	73,242
Non-current assets			
Loans receivable	6	15,708	6,015
Financial assets at fair value through profit or loss	7	4,819	59
Investments equity accounted	8	397	352
Deferred tax assets	9	51	111
Total non-current assets		20,975	6,537
Total assets		86,688	79,779
Current liabilities			
Trade and other payables	10	2,205	92
Distribution payable		2,107	1,482
Total current liabilities		4,312	1,574
Total liabilities		4,312	1,574
Net assets		82,376	78,205
Equity			
Issued capital – Passive Fund units	11	92,460	88,062
Issued capital – Active Fund units	11	12,755	11,949
Accumulated losses		(22,839)	(21,806)
Total equity attributable to stapled securityholders		82,376	78,205
Total equity		82,376	78,205

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

360 Capital Total Return Fund
Consolidated statement of changes in equity
For the year ended 30 June 2019

		Issued capital - Passive Fund units \$'000	Issued capital - Active Fund units \$'000	Accumulated losses – Passive Fund ¹ \$'000	Retained earnings - Active Fund \$'000	Total equity attributable to stapled Securityholders \$'000	External non- controlling interest \$'000	Total equity \$'000
	Note							
Balance at 1 July 2018		88,062	11,949	(21,847)	41	78,205	-	78,205
Impact of changes in accounting standards ¹		-	-	(444)	-	(444)	-	(444)
Adjusted balance at 1 July 2018		88,062	11,949	(22,291)	41	77,761	-	77,761
Total comprehensive income for the year		-	-	7,296	295	7,591	80	7,671
Transactions with non-controlling interest		-	-	-	-	-	664	664
Transactions with Securityholders in their capacity as Securityholders								
Issued securities - DRP	11	4,429	811	-	-	5,240	-	5,240
Equity raising transaction costs	11	(31)	(5)	-	-	(36)	-	(36)
Distributions	2	-	-	(8,180)	-	(8,180)	(744)	(8,924)
		4,398	806	(8,180)	-	(2,976)	(744)	(3,720)
Balance at 30 June 2019		92,460	12,755	(23,175)	336	82,376	-	82,376
Balance at 1 July 2017		88,217	11,976	(17,942)	(350)	81,901	-	81,901
Total comprehensive income for the year		-	-	2,023	391	2,414	-	2,414
Transactions with Securityholders in their capacity as Securityholders								
Security buy back	11	(72)	(12)	-	-	(84)	-	(84)
Equity raising transaction costs	11	(83)	(15)	-	-	(98)	-	(98)
Distributions	2	-	-	(5,928)	-	(5,928)	-	(5,928)
		(155)	(27)	(5,928)	-	(6,110)	-	(6,110)
Balance at 30 June 2018		88,062	11,949	(21,847)	41	78,205	-	78,205

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

¹ Accumulated losses at 1 July 2018 have been restated to reflect the impact of new AASB 9 accounting standard introduced for reporting periods effective from 1 January 2018

360 Capital Total Return Fund
Consolidated statement of cash flows
For the year ended 30 June 2019

		30 June	30 June
		2019	2018
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		153	-
Cash payments to suppliers (inclusive of GST)		(845)	(790)
Finance revenue		6,094	1,265
Distributions received		4	2,208
Net cash inflows from operating activities	12	5,406	2,683
Cash flows from investing activities			
Payments for financial assets		(2,423)	(89)
Proceeds from disposal of financial assets		-	63,371
Loans receivable provided		(49,392)	(37,969)
Loans receivable repaid		51,112	-
Net cash (outflows)/inflows from investing activities		(703)	25,313
Cash flows from financing activities			
Proceeds from issue of capital		1,468	-
Proceeds from issue of capital to non-controlling interest		1,200	-
Payments for external non-controlling interest		(536)	-
Payments for buyback of stapled securities	11	-	(84)
Payment of transaction costs to issue capital		(63)	(70)
Distributions to external non-controlling interest		(744)	-
Distributions paid to stapled securityholders		(3,784)	(7,611)
Net cash outflows from financing activities		(2,459)	(7,765)
Net increase in cash and cash equivalents		2,244	20,231
Cash and cash equivalents at the beginning of the year		40,089	19,858
Cash and cash equivalents at the end of the year	12(a)	42,333	40,089

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

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Financial Information

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the Fund.

Note 1: 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 Fund's ability to pay distributions to stapled securityholders.

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

	30 June 2019 \$'000	30 June 2018 \$'000
Profit attributable to stapled securityholders of the Fund	7,591	2,414
Specific non-cash items		
Net gain on disposal of financial assets	-	(274)
Net gain on fair value of financial assets	(275)	(9)
Tax effect on fair value gain on financial assets	74	-
Loss allowance on loans receivable	630	-
Significant items		
Distributable gain on disposal of financial assets ¹	-	3,752
Transaction costs	9	33
Operating profit (profit before specific non-cash and significant items)	8,029	5,916
Weighted average number of stapled securities ('000)	67,880	65,873
Operating profit per unit (profit before specific non-cash and significant items) (per stapled security) – cents	11.8	9.0

¹ Distributable gain represents the amount available for distribution from the realised gain on disposal of the Fund's IDR Investment.

Note 2: Distributions

Total distributions paid or payable to securityholders by the Fund for the year ended 30 June 2019:

	30 June 2019 \$'000	30 June 2018 \$'000
September 2017 quarterly distribution 2.25 cps paid on 26 October 2017	-	1,482
December 2017 quarterly distribution 2.25 cps paid on 25 January 2018	-	1,482
March 2018 quarterly distribution 2.25 cps paid on 24 April 2018	-	1,482
June 2018 quarterly distribution 2.25 cps paid on 25 July 2018	-	1,482
September 2018 quarterly distribution 3.0 cps paid on 25 October 2018	1,975	-
December 2018 quarterly distribution 3.0 cps paid on 24 January 2019	2,024	-
March 2019 quarterly distribution 3.0 cps paid on 24 April 2019	2,074	-
June 2019 quarterly distribution 3.0 cps paid on 25 July 2019	2,107	-
	8,180	5,928

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 3: Revenue

Finance income includes:

	30 June 2019 \$'000	30 June 2018 \$'000
Interest – Cash at bank	374	1,265
Interest – Loans receivable	8,317	1,198
	8,691	2,463

Note 4: Income tax expense

The Fund calculates income tax expense using the tax rate applicable to the expected total annual earnings. The major components of income tax expense during the year are:

	30 June 2019 \$'000	30 June 2018 \$'000
Profit before tax attributable to stapled securityholders	7,651	2,303
Income tax expense at the effective corporate rate of 27.5%	2,104	633
<u>Increase/(decrease) in income tax expense due to:</u>		
Trust income exempt from income tax	(2,006)	(556)
Equity raising costs	(30)	(29)
Transaction costs	2	-
Equity accounted profits	(12)	(97)
Other tax adjustments	2	2
Income tax expense/(benefit)	60	(47)
Adjustment for current tax of prior years	-	(64)
Income tax expense/(benefit) recognised in the statement of profit or loss	60	(111)

In the prior year, the Active Fund recognised \$64,401 of tax losses from the year ended 30 June 2017 which had previously not been recognised, in addition to recognising \$46,460 in tax losses for the year ended 30 June 2018. In prior years, the Active Fund and Passive Fund were not liable for income tax as their taxable income and taxable capital gains were fully distributed to securityholder each year. The Active Fund commenced trading activities through its investment in AMF and as a result is likely to be liable to pay income tax in the future.

Note 5: Receivables

	30 June 2019 \$'000	30 June 2018 \$'000
Current		
Trade receivables	51	-
Interest receivable	80	-
Distribution receivable	1	1
	132	1

a) Bad and doubtful trade receivables

During the year, the Fund made a Nil (2018: Nil) ECL provision in respect of impairment under AASB 9 as this number is considered immaterial to the Fund.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 5: Receivables (continued)

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 15 for more information on the risk management policy of the Fund.

Note 6: Loans receivable

	30 June 2019 \$'000	30 June 2018 \$'000
Current		
Secured loans – amortised cost	23,397	33,152
Loss allowance	(213)	-
	23,184	33,152
Non-current		
Secured loans – amortised cost	16,567	6,015
Loss allowance	(859)	-
	15,708	6,015
Total	38,892	39,167

Loans receivable are initially recognised at fair value and subsequently carried at amortised cost in accordance with AASB 9. The Fund has recognised a total loss allowance of \$1,073,689 based on the 12-month expected credit loss (ECL) for each loan in the Fund's portfolio in accordance with AASB 9.

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

	30 June 2019 \$'000	30 June 2018 \$'000
Balance at 1 July	39,167	-
Loans drawn during the period	49,117	37,969
Interest capitalised during the period	2,794	1,198
Loss allowance – current year	(630)	-
Loss allowance – prior year	(444)	-
Loans repaid during the period	(51,112)	-
Closing balance	38,892	39,167

Note 7: Financial assets at fair value through the profit or loss

	30 June 2019 \$'000	30 June 2018 \$'000
Current		
Units in listed property funds	64	-
	64	-
Non-current		
Units in listed property funds	4,819	59
	4,819	59
Total	4,883	59

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 7: Financial assets at fair value through the profit or loss (continued)

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

	30 June 2019 \$'000	30 June 2018 \$'000
Balance at 1 July	59	63,091
Financial assets acquired – on market	4,549	88
Financial assets disposed - on market	-	(63,403)
Fair value adjustment of financial assets	275	9
Realised gain on disposal of financial assets	-	274
Closing balance	4,883	59

Note 8: Investments equity accounted

	30 June 2019 %	30 June 2018 %	30 June 2019 \$'000	30 June 2018 \$'000
Joint venture				
AMF Finance Pty Limited	50	50	397	352

The Fund holds a 50% stake in AMF Finance Pty Limited (AMF or AMF Finance). AMF originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT. The other 50% stake is held by 360 Capital Group.

Reconciliation of movements in equity accounted investments for the year are as follows:

	30 June 2019 \$'000	30 June 2018 \$'000
AMF Finance Pty Limited		
Opening balance – 1 July	352	-
Equity accounted profit for the year	45	352
Closing Balance	397	352

	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(loss) \$'000
AMF Finance Pty Limited				
Year Ended 30 June 2019	866	73	877	90
Year Ended 30 June 2018	1,081	378	1,373	703

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 9: Deferred tax assets and liabilities

	30 June 2019 \$'000	30 June 2018 \$'000
Deferred tax assets comprises temporary differences attributable to:		
Tax losses	125	111
	125	111
Deferred tax liabilities comprises temporary differences attributable to:		
Unrealised gain on investment	74	-
	74	-
Net deferred tax assets	51	111

A reconciliation of the carrying amount of deferred tax assets and liabilities movements during the year is set out below:

	30 June 2019 \$'000	30 June 2018 \$'000
Balance at 1 July	111	-
Recognition of prior year tax losses not brought to account	-	64
Recognition of timing differences	(74)	-
Tax losses	14	47
Closing balance	51	111
Net deferred tax assets expected to reverse within 12 months	125	111
Net deferred tax assets expected to reverse after more than 12 months	(74)	-
	51	111

For further information on recognition of deferred tax balances (refer to Note 23).

Note 10: Trade and other payables

	30 June 2019 \$'000	30 June 2018 \$'000
Trade payables and accruals	2,205	92
	2,205	92

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

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 11: Equity

(a) Issued capital

	30 June 2019 000's	30 June 2018 000's
360 Capital Total Return Passive Fund - Ordinary securities issued	70,225	65,854
360 Capital Total Return Active Fund - Ordinary securities issued	70,225	65,854
	\$'000	\$'000
360 Capital Total Return Passive Fund - Ordinary securities issued	92,460	88,062
360 Capital Total Return Active Fund - Ordinary securities issued	12,755	11,949
Total issued capital	105,215	100,011

(b) Movements in issued capital

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

	30 June 2019 000's	30 June 2018 000's
Opening balance at 1 July	65,854	65,925
Security buy back	-	(71)
Securities issued under the Distribution Reinvestment Plan	4,371	-
Closing balance	70,225	65,854

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

	30 June 2019 \$'000	30 June 2018 \$'000
Opening balance at 1 July	100,011	100,193
Security buy back	-	(84)
Securities issued under the Distribution Reinvestment Plan	5,240	-
Transaction costs incurred in issuing capital	(36)	(98)
Closing balance	105,215	100,011

(c) Distribution Reinvestment Plan

During the year the Fund introduced a Distribution Reinvestment Plan (DRP) which was activated from the September 2018 quarterly distribution to the March 2019 quarterly distribution. The Fund issued 4,371,792 securities and raised \$5.2 million during the year, with the September and December quarter distributions fully underwritten. Securities were issued at a 1.5% discount to the Fund's 10 day average of the daily volume weighted average trading price as per the Fund's DRP policy.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 12: Cash flow information

(a) Reconciliation of cash and cash equivalents

	30 June	30 June
	2019	2018
	\$'000	\$'000
Cash at bank	42,333	40,089
Cash and cash equivalents in the statement of cash flows	42,333	40,089

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

	30 June	30 June
	2019	2018
	\$'000	\$'000
Net profit for the year	7,671	2,414
<u>Adjustment for:</u>		
Net gain on disposal of financial assets	-	(274)
Net change in fair value of financial assets	(275)	(9)
Tax effect of net gain on fair value of financial assets	74	-
Share of equity accounted profits	(45)	(352)
Capitalised interest on loans receivable	(2,517)	(1,198)
Acquisition and transaction costs	9	33
Loss allowance loans receivable	630	-
<u>Change in assets and liabilities</u>		
(Increase)/ decrease in receivables	(145)	2,092
Increase/(decrease) in payables	4	(23)
Net cash inflows from operating activities	5,406	2,683

Risk

This section of the notes discusses the Funds' exposure to various risks and shows how these could affect the consolidated entity's financial position and performance.

Note 13: Basis of preparation

a) Reporting entity

The financial report of 360 Capital Total Return Fund (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 FM Limited. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Fund are disclosed in the Responsible Entity's report.

The financial report was authorised for issue by the Board on 21 August 2019.

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. The financial report complies with IFRS and interpretations adopted by the International Accounting Standards Board.

c) 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 financial assets and financial liabilities, which are stated at their fair value. The accounting policies set out in Note 23 have been applied consistently to all periods presented in this financial report except for the new accounting standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. For more detail on the impact of the adoption of these standards refer to Note 23(a).

The accounting policies have been applied consistently by all entities in the Fund.

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 issued by the Australian Securities and Investments Commission (ASIC). In accordance with that Instrument, amounts in the financial report and Responsible Entity 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:

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.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

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.

e) Changes in accounting policies and disclosures

The Fund applied AASB 9 and AASB 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in Note 23(a). Several other amendments and interpretations apply for the first time in 2019 but do not have a material impact on the financial statements of the Fund.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 14: 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 securityholder 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 securityholder, return capital to securityholder, issue new units, purchase the Fund's own units, or sell assets to reduce debt. During the year the Fund issued 4.4 million securities under the Fund's Distribution Reinvestment Plan (DRP), refer to Note 11: Equity for further information.

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

Note 15: 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	30 June
	2019	2018
	\$'000	\$'000
Cash and cash equivalents	42,333	40,089
Receivables	132	1
Loans receivable	38,892	39,167
Financial assets at fair value through profit or loss	4,883	59
Total	86,240	79,316

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 15: Other financial assets and liabilities (continued)

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 has been no significant deterioration in the credit risk of financial assets and no impairing events have occurred, 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.

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 in more than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
30 June 2019						
<u>Financial assets</u>						
Cash and cash equivalents	42,333	-	-	-	-	42,333
Trade and other receivables	-	-	-	-	131	131
Loans receivable	-	23,184	15,708	-	-	38,892
Total financial assets	42,333	23,184	15,708	-	131	81,356
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	2,203	2,203
Distributions payable	-	-	-	-	2,107	2,107
Total financial liabilities	-	-	-	-	4,310	4,310
Net financial assets (liabilities)	42,333	23,184	15,708	-	(4,179)	77,046
30 June 2018						
<u>Financial assets</u>						
Cash and cash equivalents	40,089	-	-	-	-	40,089
Trade and other receivables	-	-	-	-	1	1
Loans receivable	-	33,152	6,015	-	-	39,167
Total financial assets	40,089	33,152	6,015	-	1	79,257
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	92	92
Distributions payable	-	-	-	-	1,482	1,482
Total financial liabilities	-	-	-	-	1,574	1,574
Net financial assets (liabilities)	40,089	33,152	6,015	-	(1,573)	77,683

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 15: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis

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

		Change in interest rate	
		-1%	1%
	Carrying amount \$'000	Profit \$'000	Profit \$'000
30 June 2019			
Cash and cash equivalents	42,333	(423)	423
Total increase/(decrease)		(423)	423
30 June 2018			
Cash and cash equivalents	40,089	(401)	401
Total increase/(decrease)		(401)	401

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 2019					
Trade and other payables	2,203	2,203	2,203	-	-
Distribution payable	2,107	2,107	2,107	-	-
	4,310	4,310	4,310	-	-
30 June 2018					
Trade and other payables	92	92	92	-	-
Distributions payable	1,482	1,482	1,482	-	-
	1,574	1,574	1,574	-	-

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 15: 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	Profit	Profit
	\$'000	\$'000	\$'000
30 June 2019			
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	4,883	(49)	49
Total increase/(decrease)		(49)	49
30 June 2018			
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	59	(1)	1
Total increase/(decrease)		(1)	1

Other markets risk

The Fund does not have any material exposure to any other market risks such as currency 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 2019. 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)

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 15: Other financial assets and liabilities (continued)

At the 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 2019	4,883	4,883	-	-
Financial assets at fair value through profit or loss as at 30 June 2018	59	59	-	-

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.

Fund Structure

This section of the notes provides information which will help users understand how the fund structure affects the financial position and performance of the consolidated entity.

Note 16: 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 2019	30 June 2018
360 Capital Total Return Active Fund	Australia	Ordinary	100	100
360 Capital TOT Finance Trust	Australia	Ordinary	100	100
360 Capital Private Debt Fund	Australia	Ordinary	100	100

Unrecognised Items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

Note 17: Commitments and contingencies

Loan commitments

As at 30 June 2019, amounts available to be drawn by borrowers under existing loan facilities are as follows:

	30 June 2019 \$'000	30 June 2018 \$'000
Secured loans	15,668	22,995

There are no other capital commitments as at 30 June 2019 (2018: Nil).

Contingencies

There are no contingent liabilities as at 30 June 2019 (2018: Nil).

Note 18: Events subsequent to balance date

Subsequent to balance date the Fund had invested a further \$4.0 million into its investment in URB and increased its stake to 11.3%

No other 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.

Other Information

This section of the notes includes information that must be disclosed to comply with prescribed accounting standards and other pronouncements, but that are not immediately related to individual line items in the financial statements.

Note 19: Auditors' remuneration

	30 June 2019 \$	30 June 2018 \$
<u>Audit services</u>		
Audit services	56,500	50,000
Audit of compliance plan	16,700	15,193
	73,200	65,193
<u>Non-audit services</u>		
Taxation compliance services	19,950	16,200
	93,150	81,393

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 20: Earnings per stapled security

	30 June 2019 ¢	30 June 2018 ¢
Basic and diluted earnings per stapled security	11.2	3.7

	\$'000	\$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Total Return Fund used in calculating profit per stapled security	7,591	2,414

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities – basic and diluted	67,880	65,873

Note 21: Related party transactions

Responsible entity

The Responsible Entity of the Fund is 360 Capital FM Limited (ABN 15 090 664 396) (AFSL No 221474). 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 18 113 569 136).

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

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

Controlled entities

Interests in controlled entities are set out in Note 16.

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 2019 \$	30 June 2018 \$
Fees for the year paid/payable by the Fund:		
<u>Management of the Fund</u>		
Management fees	556,000	547,607
Fund recoveries	2,720	7,087
Total	558,720	554,694

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

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 21: Related party transactions (continued)

Performance Fee: The Responsible Entity is entitled to a Performance Fee of 20% of any total return in excess of 12% p.a. The calculation of total return is based on actual distributions paid to Stapled Securityholders during the relevant financial year plus any increase in the trading price of Stapled Securities in the relevant financial year. The Performance Fee is payable yearly in arrears after the end of the relevant financial year.

Acquisition Fee: The Responsible Entity is 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 is 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.

During the year, the Responsible Entity was entitled acquisition fees of \$45,495 relating to the Funds investment in URB however no fees were charged.

Securityholdings

Securities 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 2019	30 June 2018
360 Capital Property Limited ¹		
Number of stapled securities held	18,465,165	15,621,124
Interest % held	26.3%	23.7%
Distributions paid/payable by the Fund (\$)	2,072,520	1,405,901

¹ On 21 June 2017, 360 Capital Property Limited sold its beneficial interest in 360 Capital Total Return Passive Fund units to 360 Capital Diversified Property Fund, a wholly owned subsidiary of the 360 Capital Investment Trust.

Interest in Joint venture

The Fund holds a 50% stake in AMF Finance Pty Limited. AMF provides alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT. The other 50% stake is held by 360 Capital Group. During the year the Fund received fees from AMF of \$138,803 relating to its role in the origination of two loans.

Underwriting DRP

The Fund's December 2018 quarterly distribution's DRP was underwritten by 360 Capital Property Limited. 360 Capital Property Limited was issued an additional 568,477 units for \$679,444 representing a 1.5% discount to the Fund's 10 day average of the daily volume weighted average trading price as per the Fund's DRP policy.

Key management personnel

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

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

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 21: Related party transactions (continued)

Directors

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

Management personnel securityholdings

The number of securities held directly or indirectly by Directors, Key Management Personnel and their related parties as at 30 June 2019 are as follows:

Name	Position	30 June 2018	Acquisitions	30 June 2019
		Equity Holding		Equity Holding
David van Aanholt	Director	Nil	26,016	26,016
Tony Robert Pitt	Director	796,300	39,848	836,148
William John Ballhausen	Director	120,000	-	120,000
Graham Ephraim Lenzner	Director	100,000	53,907	153,907
Andrew Graeme Moffat	Director	400,000	30,956	430,956
Glenn Butterworth	KMP	19,642	10,000	29,642
James Storey ¹	KMP	Nil	9,000	9,000

¹ On 1 September 2018, James Storey became a KMP of the Stapled entity. Accordingly this number represents his interest in the Fund held at this date.

Note 22: 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 23.

	30 June 2019 \$'000	30 June 2018 \$'000
Current assets	32,881	62,629
Non-current assets	105,357	80,074
Total assets	138,238	142,703
Current liabilities	2,129	1,506
Non-current liabilities	76,750	90,368
Total liabilities	78,879	91,874
Issued units	59,993	55,619
Retained earnings	(634)	(4,790)
Total equity	59,359	50,829
Net profit for the year	7,162	1,778
Total comprehensive profit for the year attributable to securityholders	7,162	1,778

360 Capital Total Return Fund
Notes to the financial report
For the year ended 30 June 2019

Note 22: Parent entity disclosures (continued)

Loan commitments

As at 30 June 2019, amounts available to be drawn by borrowers under existing loan facilities are \$15.7 million (2018: \$23.0 million).

Note 23: Statement of significant accounting policies

a) Changes in accounting policy

The Fund applied AASB 9 and AASB 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 9 Financial Instruments

AASB 9 *Financial instruments* (AASB 9) replaces AASB 139 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected credit loss (ECL) model when recognising and calculating impairment on financial assets, and also introduces new general hedge accounting requirements.

The Fund has adopted AASB 9 and related amendments from 1 July 2018. Comparative results are not restated as permitted by the standard. The impact of the adoption of AASB 9 is detailed below:

a) Changes in accounting policy

i) Classification and measurement

The classification and measurement requirements of AASB 9 did not have a significant impact on the Fund. Financial assets previously held at fair value continue to be measured at fair value. Trade and other receivables and loans receivable are held to collect contractual cash flows and these contractual cash flows are SPPI. These receivables continue to be measured at amortised cost.

Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability (due to discounting using the original effective interest rate), with any gain or loss being recognised immediately in the income statement. Under the previous standard AASB 139, the gain or loss was recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Fund has determined that there is no impact of the adoption of AASB 9.

From 1 July 2018, the Fund classifies its financial assets as follows:

- Cash and cash equivalents, trade and other receivables & loans receivable are held at amortised cost. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest (SPPI).
- Financial assets that do not meet the SPPI criterion are measured at fair value through profit and loss (FVTPL).

At initial recognition, the Fund measures a financial assets and financial liabilities (other than trade receivables, loan receivables and cash) 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 at FVTPL are subsequently measured at fair value. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Note 23: Statement of significant accounting policies (continued)

ii) Impairment

The adoption of AASB 9 has changed the Fund's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Fund to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

Upon the adoption of AASB 9, the Fund recognised an initial loss allowance on the Funds' Loans Receivable of \$444,236, which resulted in an increase in opening accumulated losses of \$444,236 reflecting the ECL provision that would have been taken up for the Fund's loan portfolio in the prior period. There was previously no impairment provision recognised under AASB 139.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* (AASB 15) establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Fund has adopted AASB 15 using the modified retrospective method and as a result no adjustments have been required to the financial statements.

There were no other changes to the Fund's accounting policies for the financial reporting year commencing 1 July 2018. The remaining policies of the Fund are consistent with the prior year.

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 securityholder 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 2019 and the results of all controlled entities for the period then ended.

Note 23: Statement of significant accounting policies (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.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Fund's share of net assets of the associate or joint venture since the acquisition date.

The Fund's share of net profit or loss is recognised in the statement of profit or loss from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

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:

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.

Note 23: Statement of significant accounting policies (continued)

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

Passive Fund

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

Active Fund

The Active Fund may be subject to income tax due to its investment in active trading businesses. Income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction and deferred tax expense calculated by reference to changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Fund has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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.

Note 23: Statement of significant accounting policies (continued)

i) Receivables

Receivables and Loans receivable, previously classified as *Loans and receivables* under AASB 139 are now classified and measured as *Financial assets at amortised cost* under AASB 9 *Financial Instruments*. 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.

The Fund assesses expected credit losses upon initial recognition of the financial asset with a forward-looking expected credit loss (ECL) approach. For trade and other receivables, the Fund applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognized from initial recognition of the receivables. In prior periods, amounts not recoverable were assessed at each reporting date under AASB 139. Indicators that an amount was not recoverable include where there was objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. Any allowances for non-recoverable receivables were recognised in a separate allowance account. Any bad debts which had previously been provided for were eliminated against the allowance account. In all other cases bad debts were written off directly to the statement of profit or loss.

Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method under AASB 9. Gains and losses are recognised in the consolidated statement of financial performance when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

j) Financial instruments

Financial assets and financial liabilities are recognised when a Fund entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures a financial assets and financial liabilities (other than trade receivables, loan receivables and cash) 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: "Financial assets at amortised cost" 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.

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 9 *Financial Instruments*.

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.

Financial assets at amortised cost

Refer to Note 23(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.

Note 23: Statement of significant accounting policies (continued)

Impairment

Under AASB 9, the Fund's accounting for impairment losses for financial assets has changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Fund has applied the simplified approach and recorded lifetime expected losses on trade and other receivables. The ECL on trade and other receivables is immaterial.

For loans receivable financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Fund has established a provision model which includes assessing the credit rating of each borrower to determine the probability of default, loss given default and exposure at default, taking into account sensitivity factors to work out the ECL provision for each loan receivable. The revised methodology for calculation of impairment resulted in an ECL loss provision net of tax of \$0.4 million as at 1 July 2018.

k) 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.

l) 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.

m) 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.

n) 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.

Note 23: Statement of significant accounting policies (continued)

o) 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 2019. 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 16 – *Leases (Effective 1 January 2019)*. This standard establishes the enhanced reporting requirements of the Lessee and lessor when entering into Leases. This is not expected to materially impact the Fund's financial statements as the Fund does not currently have any lease arrangement in place.

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

- AASB 2018-1 *Annual Improvements 2015-2017 Cycle (Effective January 1, 2019)*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

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 2019

In the opinion of the Directors of 360 Capital FM Limited, the Responsible Entity:

- 1) The consolidated financial statements and notes that are set out on pages 10 to 39 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 2019 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 2019.
- 4) The Directors draw attention to Note 13(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.



David van Aanholt
Chairman



Tony Robert Pitt
Managing Director

Sydney
21 August 2019

Independent Auditor's Report to the unitholders of 360 Capital Total Return Passive Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 360 Capital Total Return Passive Fund (the Fund) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the declaration of directors of 360 Capital FM Limited, the Responsible Entity of the consolidated entity.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

1. Mortgage Loans - Impact of AASB 9 & Recoverability considerations

Why significant	How our audit addressed the key audit matter
<p>The Group's consolidated statement of financial position included \$38.9m of gross trade receivables and an associated provision for impairment of \$1.1m at 30 June 2019.</p> <p>The Directors' assessment as to the recoverability of the property loans involves judgement, specifically relating to the individual circumstances of each aged debtor.</p> <p>The Group applies Australian Accounting Standard AASB 9 <i>Financial Instruments</i> in calculating the provision for expected credit loss (ECL), applying a forward-looking expected loss impairment model. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.</p> <p>AASB 9 <i>Financial Instruments</i> was adopted on a modified retrospective basis at 1 July 2018. An ECL adjustment of \$444k was recognized in the retained earnings balance at 1 July 2018. Management has reassessed the measurement of the ECL at 30 June 2019 and recognized an ECL of \$1.1mil.</p> <p>This was a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to credit exposures to determine the recoverability of the property loans.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We assessed the classification of each mortgage loan upon transition to AASB 9 and at 30 June 2019 to determine whether their classification is appropriate based on the terms of the underlying loan terms. ▶ For a sample of loans, we evaluated the feasibilities of the underlying development asset by performing the following procedures: <ul style="list-style-type: none"> ▶ comparing the sales revenue assumed to the most recent historical or comparable sales; ▶ corroborating the costs projected to signed contracts, recent or actual costs incurred for current or comparable projects or other external cost estimates; ▶ assessed contingency estimates for remaining development risks. ▶ For a sample of loans where a valuation of the underlying security was obtained by the Group as an input to the loan value, we assessed the valuation by considering the appropriateness of qualifications, competence, and objectivity of the valuer, the methodologies adopted, and agreeing the key assumptions to market data. ▶ We assessed the Group's methodology in calculating the expected credit loss provision and re-performed the Group's calculations upon transition and at year end. ▶ We assessed the key inputs into the provision for expected credit loss including: <ul style="list-style-type: none"> ▶ The completeness of the loans included in the calculation, ▶ The appropriateness of the credit rating applied to individual borrowers with reference to borrower specific and macroeconomic factors, ▶ We evaluated the classification of loans between current and non-current based on the status of the underlying property supporting recoverability, the expected timing of settlement and the status of the underlying developments. ▶ We assessed the adequacy of the Group's disclosure with respect to the AASB 9 <i>Financial instruments</i> transition and recognition of the ECL provision.

Information Other than the Financial Report and Auditor's Report

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors of the Responsible Entity, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young



Mark Conroy
Partner
Sydney
21 August 2019

360 Capital Total Return Fund
Securityholder information
For the year ended 30 June 2019

Information below was prepared as at 12 August 2019.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
360 CAPITAL PROPERTY LIMITED	18,465,165	26.29
NATIONAL NOMINEES LIMITED	13,976,383	19.90
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,149,528	18.72
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	2,661,587	3.79
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,383,210	3.39
WYLLIE GROUP PTY LTD	1,600,000	2.28
INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVESTMENT FUND A/C>	660,000	0.94
PENTAGON CAPITAL PTY LIMITED	525,021	0.75
COWOSO CAPITAL PTY LTD <COWOSO SUPER FUND A/C>	430,956	0.61
JLLSF PTY LTD <LANDER SUPER FUND A/C>	417,450	0.59
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	410,485	0.58
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	366,030	0.52
BNP PARIBAS NOMS (NZ) LTD <DRP>	307,300	0.44
STANBOX PTY LIMITED <THE SALEM FAMILY ACCOUNT>	292,000	0.42
HOWARD SECURITIES PTY LTD	250,000	0.36
RANCH ENTERPRISES PTY LTD <THE EL RANCHO UNIT A/C>	250,000	0.36
SUTTON SF PTY LTD <SUTTON FAMILY S/F A/C>	237,250	0.34
TT INVESTMENTS PTY LTD <TT INVESTMENT A/C>	210,008	0.30
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	204,989	0.29
KONA CAPITAL PTY LIMITED	197,181	0.28
Total Securities held by Top 20 security holders	56,994,543	81.16
Total Securities on issue	70,225,399	100.00

b) Distribution of securityholders:

Number of securities held by securityholder	Number of holders	Securities held	% of issued securities
1 to 1,000	262	38,599	0.06
1,001 to 5,000	90	296,416	0.42
5,001 to 10,000	117	1,003,191	1.43
10,001 to 100,000	314	9,416,311	13.41
100,001 and over	38	59,470,882	84.69
Totals	821	70,225,399	100.00

The total number of securityholders with less than a marketable parcel was 230 and they hold 12,788 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
360 Capital Property Limited	25/01/19	18,832,614	27.24
Naos Asset Management Limited	29/03/19	11,345,599	16.41
Salt Funds Management Limited	29/10/18	5,438,157	8.258
Moelis Australia Limited	06/11/17	5,000,000	7.58
Greig & Harrison	07/09/18	4,474,651	6.79
First Samuel Limited	12/02/18	3,347,655	5.08

360 Capital Total Return Fund
Glossary
For the year ended 30 June 2019

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 (ASX: TOT), 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 Security	Net tangible assets divided by the number of Securities on issue
Operating earnings	Operating earnings is statutory net profit adjusted for non-cash and significant items
p.a.	Per annum
Responsible Entity	360 Capital FM Limited (ABN 15 090 664 396, AFSL 221474)
YTD	Year to date

360 Capital Total Return Fund
Corporate directory
For the year ended 30 June 2019

Parent Entity

360 Capital Total Return Passive Fund
ARSN 602 304 432

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

James Storey – Fund Manager
Glenn Butterworth – Chief Financial Officer
Jennifer Vercoe – Company Secretary

Responsible Entity

360 Capital FM Limited
ACN 090 664 396
AFSL 221 474
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone 02 8405 8860 Email: investor.relations@360capital.com.au

Unit Registry

Boardroom Pty Limited
ACN 003 209 836
Grosvenor Place, Level 12, 255 George Street Sydney NSW 2000
Telephone 1300 082 130 Email: enquiries@boardroomlimited.com.au

Auditor

Ernst & Young
200 George Street Sydney NSW 2000

Website

www.360capital.com.au

360 Capital

