

360 CAPITAL INDUSTRIAL FUND

Annual Report
FOR THE YEAR ENDED
30 JUNE 2016



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

360 CAPITAL INDUSTRIAL FUND

Annual Report For the year ended 30 June 2016

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Cover image: 310 Spearwood Ave, Bibra Lake, WA

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the year ended 30 June 2016

The Directors of 360 Capital Investment Management Limited (“CIML”), the Responsible Entity, present their report together with the annual financial report of 360 Capital Industrial Fund (ARSN 099 680 252) and its controlled entities (“the Fund”) (ASX code: TIX) for the year ended 30 June 2016.

Directors

The following persons were Directors of the Responsible Entity during the year and up to the date of this report, unless otherwise stated:

David van Aanholt (Chairman)

Tony Robert Pitt

William John Ballhausen

Graham Ephraim Lenzner

Andrew Graeme Moffat

Principal activities

The principal continuing activity of the Fund was investment in industrial properties within Australia. There have been no significant changes in the nature of the Fund’s activities since the date of the Fund’s establishment.

Operating and financial review

The statutory profit attributable to the unitholders of the Fund for the year ended 30 June 2016 was \$49.8 million (2015: \$43.9 million). The operating profit (profit before specific non-cash and significant items) was \$48.2 million (2015: \$28.2 million).

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

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the year ended 30 June 2016

Operating and financial review (continued)

The following table summarises key reconciling items between statutory profit attributable to the unitholders of the Fund and operating profit. The operating profit information in the table has not been subject to any specific review procedures by the Fund's auditor but has been extracted from Note 3: Segment reporting of the financial statements for the full year ended 30 June 2016, which have been subject to audit; refer to page 50 for the auditor's independent report on the financial statements.

	30 June 2016	30 June 2015
	\$'000	\$'000
Profit attributable to the unitholders of the Fund	49,788	43,916
Specific non-cash items		
Net gain on fair value of investment properties	(28,900)	(21,719)
Net loss on derivative financial instruments	7,366	4,599
Amortisation of borrowing costs	895	1,088
Straight-lining of lease revenue	(1,388)	(1,142)
Amortisation of incentives and leasing fees	884	605
Loss on fair value of rental guarantee	11	-
Rental guarantee cash received	54	-
Net loss on fair value of financial assets	4,951	740
Significant items		
Business combination transaction costs	8,106	-
Net loss on sale of investment property	140	88
Operating profit (profit before specific non-cash and significant items)	41,907	28,175
Pro forma operating profit of ANI ¹	6,255	-
Operating profit (including pro forma adjustments)	48,162	28,175

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

- Profit attributable to the unitholders of the Fund of \$49.8 million, representing 25.7 cents per unit ("cpu");
- Operating profit increased by 70.9% to \$48.2 million;
- Operating profit of 22.7 cpu in line with guidance;
- Distributions per unit ("DPU") increased by 2.9% to 21.6 cpu (2015: 21.0 cpu);
- Net tangible assets ("NTA") increased to \$491.1 million (\$2.32 per unit) from \$356.5 million (\$2.34 per unit) as at 30 June 2015;
- Gearing² increased to 42.6% (2015: 40.0%);
- Debt facility extended, lower debt margins and resetting of interest rate swaps;
- Raised \$140.1 million of equity capital through the completion of the ANI Acquisition³; and
- TIX's closing price on the ASX at 30 June 2016 of \$2.74 per unit reflecting a premium to NTA per unit of 18.1%, annualised distribution yield of 7.9% and a total unitholder return of 23.8%.

¹ Pro forma operating profit of ANI represents the net profit of ANI adjusted for specific non-cash and significant items prior to consolidation with TIX. This adjustment allows for a comparison of operating profit to pro forma earnings included in the TIX Offer Bidder's Statement and allows for a more meaningful comparison with earnings in future years. The pro forma adjustment illustrates the overall operating profit of the combined Funds from 1 July 2015 to 30 June 2016 as if the consolidation had occurred on 1 July 2015.

² Gearing: Borrowings less cash divided by total assets less cash.

³ ANI Acquisition: the formal, off market, takeover offer ("Offer") for all the units in the Australian Industrial REIT (ASX code: "ANI") which was completed on 1 December 2015.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the year ended 30 June 2016

Operating and financial review (continued)

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

- Completion of the ANI Acquisition on 1 December 2015, now the largest pure rent collecting industrial A-REIT with property assets of \$905.2 million;
- Portfolio occupancy of 99.4%;
- Maintained WALE⁴ at 4.7 years;
- Leased 68,444 square metres ("sqm") in the year with a further 13,906 sqm subject to heads of agreements;
- Portfolio property values increased by 3.8% on a like-for-like basis;
- Disposed of \$10.5 million of non-core assets;
- Portfolio WACR⁵ of 7.5%.

Financial results

Statutory revenue increased by 44.6% to \$104.2 million reflecting the growth in rental income from the increased investment property portfolio. Net profit for the year was \$49.8 million representing a 13.4% increase from the prior year. Operating profit of \$48.2 million was 70.9% up on the prior year driven by higher property income from acquisitions, fixed rental increases, lower finance costs and the ANI Acquisition. Operating earnings includes a pro forma adjustment to reflect 100.0% of ANI's operating earnings prior to consolidation. Underlying earnings certainty and the ANI Acquisition has provided distributions per unit ("DPU") growth of 2.9% on the prior year to 21.6 cpu.

During the year, total assets of the Fund increased by \$300.1 million or 48.2% to \$923.3 million mainly due to the acquisition of ANI's property portfolio totalling \$331.3 million. After raising \$140.1 million of equity via the issue of an additional 59.5 million units through the scrip component of the ANI Acquisition, to assist in acquiring the net asset of ANI, the Fund's NTA has increased 37.8% during the year to \$491.1 million.

ANI transaction

The compulsory acquisition of ANI was completed on 1 December 2015. The Fund's portfolio now comprises 37 industrial assets and has increased its exposure to the economy of New South Wales ("NSW") to 43.6% (by value) and improved the scale and diversity of the portfolio.

The transition of the 16 ANI properties has now been completed and the Fund is well progressed in delivering on its leasing strategy. The Fund has leased 45,007 sqm of the portfolio.

The acquisition was transformational for TIX, which is now the largest pure industrial rent collecting vehicle on the ASX with a clear strategy and focus on active asset management.

Property Portfolio

During the year, the Fund has leased 68,444 sqm and is currently in advanced negotiations with a further 13,906 sqm. FY17 expiry has reduced to 13.7%, down from 18.5% as at 31 December 2015.

On assets held more than 12 month like for like net property income increased by 4.0% for the period. This is reflective of the Fund's underlying income profile of having over 80.0% of the property portfolio subject to fixed rent reviews averaging 3.3% and the releasing of vacant space at 69 Studley Court, Derrimut, VIC.

⁴ WALE: Weighted average lease expiry.

⁵ WACR: Weighted average capitalisation rate.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the year ended 30 June 2016

Non-core asset sales

Approximately \$50.0 million of non-core assets have been targeted for disposal over the course of FY17, the composition and timing of these asset sales will be largely dependent on ongoing lease negotiations.

During the year a non-core property, 33-59 Clarinda Road, Oakleigh South, VIC was sold for \$10.5 million on 18 December 2015 with net proceeds used to reduce debt.

At 30 June 2016, 74-94 Newton Road, Wetherill Park, NSW was under select marketing campaign for sale and classified as non-current asset held for sale.

Property valuations

The Fund has undertaken independent valuations of the entire portfolio as at 30 June 2016, resulting in a \$38.2 million increase on book values during the year (prior to capital expenditure), taking the total portfolio value to \$905.2 million⁶.

As a result of the revaluations, the Fund's overall WACR has firmed 46 basis points during the year to 7.45% at 30 June 2016.

Capital management

A total of \$140.1 million of equity (59.5 million units) was issued during the year as part consideration of the ANI Acquisition. The Fund now has a total of 211,957,288 units on issue.

During the year, the Fund renegotiated its syndicated debt facility to \$420.0 million, with NAB increasing its facility to \$250.0 million and Bankwest increasing its facility to \$170.0 million. The ANI debt facility of \$130.0 million was repaid using the TIX syndicated debt facility. A new \$80.0 million interest rate swap agreement was entered into with Bankwest. The Fund's interest rate hedge book now totals \$400.0 million and reflects an average rate of 2.5% (excluding any margins). The interest rate swaps are hedged for an average of 3.0 years bringing the Fund's all in interest cost to approximately 3.8%. The Fund remains comfortably within its debt facilities' covenants.

The Fund has been exploring longer term debt funding arrangement. The Fund has been issued with an indicative term sheet for a new \$330 million, 10 year debt facility to sit alongside the Australian banks. The Funds will look to complete this refinance over the next 6 months, increasing the average debt term to over 8 years.

The market capitalisation of the fund is approximately \$580.8 million as at 30 June 2016 with TIX's inclusion in the S&P/ASX 200 possible in the future.

Outlook and guidance

The Fund is well progressed with FY17 and FY18 expiries and has a strong track record of actively managing the portfolio, evidenced by the high occupancy and long WALE of the portfolio.

The Fund's strategy remains unchanged with a focus on acquiring and managing passive industrial assets. The acquisition of the ANI portfolio was transformational for TIX, which is now the largest pure industrial rent collecting vehicle on the ASX with a clear strategy and focus on active asset management.

TIX is focused on reducing gearing below 40.0% in the short to medium term and is committed to long-term growth of earnings per unit ("EPU") and DPU for unitholders.

⁶ Including non-current asset held for sale.

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the year ended 30 June 2016

Distributions

Distributions declared during the financial year ended 30 June 2016 are as follows:

	30 June 2016	30 June 2015
	\$'000	\$'000
September 2014 quarter paid 4.80 cpu on 24 October 2014	-	5,748
December 2014 quarter paid 5.0675 cpu on 27 January 2015	-	6,202
March 2015 quarter paid 5.0662 cpu on 24 April 2015	-	6,327
June 2015 quarter paid 6.0663 cpu on 24 July 2015	-	9,249
September 2015 quarter paid 5.375 cpu on 23 October 2015	10,227	-
December 2015 quarter paid 5.375 cpu on 27 January 2016	11,393	-
March 2016 quarter paid 5.425 cpu on 28 April 2016	11,499	-
June 2016 quarter paid 5.425 cpu on 26 July 2016	11,499	-
Total distributions	44,618	27,526

Distribution reinvestment plan (“DRP”)

The Responsible Entity did not activate the DRP during the financial year ended 30 June 2016 (2015: \$13.0 million).

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 unitholders. No buy back arrangements occurred in the financial year ended 30 June 2016 (2015: Nil).

Units on issue

During the financial year ended 30 June 2016, the Fund issued 59.5 million units as part consideration for the ANI Acquisition. The total number of units on issue in the Fund as at 30 June 2016 was 211,957,288 (30 June 2015: 152,457,544).

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.

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 26 to the financial statements.

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

As at 30 June 2016, related parties of the Responsible Entity held units in the Fund as detailed in Note 26 to the financial statements.

Significant changes in state of affairs

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the year under review other than those listed above or elsewhere in the Responsible Entity report.

Likely developments and expected results of operations

The Responsible Entity continues to implement the strategy of the Fund being to invest in industrial properties within Australia. The Fund continues to seek to return income to unitholders through its distributions and capital growth through increasing the value of the underlying properties.

Environmental Issues

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

360 Capital Industrial Fund and its controlled entities

Responsible Entity report

For the year ended 30 June 2016

Events subsequent to balance date

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

Indemnification and insurance of Officers and Directors

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 against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the as officers 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 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 11 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 8 and forms part of the Responsible Entity report for the year ended 30 June 2016.

Rounding of amounts

The Fund is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Instrument, amounts in the 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.



Tony Robert Pitt
Director

Sydney
17 August 2016



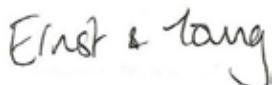
Graham Ephraim Lenzner
Director

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

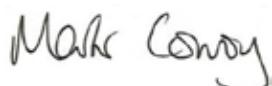
As lead auditor for the audit of 360 Capital Industrial Fund for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Mark Conroy
Partner
17 August 2016

360 Capital Industrial Fund and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

		30 June 2016	30 June 2015
	Note	\$'000	\$'000
Revenue from continuing operations			
Rental income	5	75,109	47,293
Finance revenue		152	130
Total revenue from continuing operations		75,261	47,423
Other income			
Net gain on fair value of investment properties	6	28,900	21,719
Distributions from property funds	7	-	2,897
Total other income		28,900	24,616
Total revenue from continuing operations and other income		104,161	72,039
Investment property expenses		12,468	8,195
Management fees	26	5,573	3,416
Administration expenses		938	545
Net loss on sale of investment properties		140	88
Net loss on fair value of financial assets net of transaction costs	8	4,951	740
Net loss on fair value of derivative financial instruments	9	7,366	4,599
Loss on fair value of rental guarantee		11	-
Business combination transaction costs	17	8,106	-
Finance costs	10	14,820	10,540
Net profit from continuing operations		49,788	43,916
Total comprehensive income for the year		49,788	43,916
Earnings per unit - basic and diluted - cents per unit	12	25.7	35.5

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

360 Capital Industrial Fund and its controlled entities

Consolidated statement of financial position

As at 30 June 2016

		30 June 2016	30 June 2015
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	13	4,452	6,329
Receivables	14	3,115	4,164
Investment property – held for sale	15	22,800	10,500
Total current assets		30,367	20,993
Non-current assets			
Investment properties	16	882,400	533,400
Financial assets at fair value through profit or loss	17	-	68,807
Goodwill	17	10,501	-
Total non-current assets		892,901	602,207
Total assets		923,268	623,200
Current liabilities			
Trade and other payables	18	9,308	4,133
Distribution payable	19	11,499	9,249
Total current liabilities		20,807	13,382
Non-current liabilities			
Borrowings	20	390,201	251,747
Derivative financial instruments	21	10,664	1,566
Total non-current liabilities		400,865	253,313
Total liabilities		421,672	266,695
Net assets		501,596	356,505
Equity			
Issued units	22	538,551	398,630
Accumulated losses		(36,955)	(42,125)
Total equity		501,596	356,505

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

360 Capital Industrial Fund and its controlled entities

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Note	Issued units \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2015		398,630	(42,125)	356,505
Total comprehensive income for the year		-	49,788	49,788
Transactions with unitholders in their capacity as unitholders				
Units issued	22	140,089	-	140,089
Equity raising cost	22	(168)	-	(168)
Distributions paid and payable	4	-	(44,618)	(44,618)
		139,921	(44,618)	95,303
Balance at 30 June 2016		538,551	(36,955)	501,596
 Balance at 1 July 2014				
Total comprehensive income for the year		-	43,916	43,916
Transactions with unitholders in their capacity as unitholders				
Units issued through capital raise	22	61,010	-	61,010
Units issued under DRP	22	12,986	-	12,986
Units issued through ANI Offer	22	67,223	-	67,223
Equity raising cost	22	(3,020)	-	(3,020)
Distributions paid and payable	4	-	(27,526)	(27,526)
		138,199	(27,526)	110,673
Balance at 30 June 2015		398,630	(42,125)	356,505

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

360 Capital Industrial Fund and its controlled entities

Consolidated statement of cash flows

For the year ended 30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		80,958	51,716
Payments to suppliers (inclusive of GST)		(28,677)	(16,105)
Finance revenue		152	130
Finance costs		(12,962)	(9,372)
Net cash inflows from operating activities	24	39,471	26,369
Cash flows from investing activities			
Payments for additions to investment properties		(931)	(1,209)
Payments of leasing fees and incentives		(738)	(1,752)
Payments for acquisition of investment properties		(6,300)	(164,787)
Proceeds from disposal of investment properties		10,360	4,412
Distributions received		2,897	-
Payments for financial assets		(3,780)	(1,563)
Payments for subsidiaries		(6,898)	-
Payments of business combination transaction costs		(8,096)	-
Payments of ANI defence costs incurred prior to acquisition		(2,884)	-
Net cash outflows from investing activities		(16,370)	(164,899)
Cash flows from financing activities			
Proceeds from borrowings		172,100	115,000
Repayment of borrowings		(153,600)	(19,340)
Proceeds from issue of capital		-	73,996
Payment of transaction costs to issue capital		(168)	(3,020)
Payments for borrowing costs		(942)	(4,993)
Distributions paid to unitholders		(42,368)	(22,533)
Net cash (outflows)/inflows from financing activities		(24,978)	139,110
Net (decrease)/increase in cash and cash equivalents		(1,877)	580
Cash and cash equivalents at the beginning of the year		6,329	5,749
Cash and cash equivalents at the end of the year	13	4,452	6,329

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 1: Basis of preparation

a) Reporting entity

The general purpose financial statements are for the entity 360 Capital Industrial Fund and its controlled entities ("the Fund"). The Fund is a listed Fund established and domiciled in Australia. The Responsible Entity of the Fund is 360 Capital Investment Management Limited. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Fund are disclosed in the Responsible Entity Report and the principal accounting policies adopted in the preparation of the financial report are set out below and in Note 30.

The financial report was authorised for issue by the Board on 17 August 2016.

b) Statement of compliance

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

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

c) Basis of preparation

Basis of preparation

360 Capital Industrial Fund and its controlled entities are for-profit entities for the purpose of preparing the financial report.

The financial report has been prepared on an accruals basis and on the historical cost basis except for investment properties, non-current assets held for sale and derivative financial instruments and financial assets at fair value through profit or loss, which are stated at their fair value.

The financial report is presented in Australian dollars.

The Fund is an entity of the kind referred to in 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.

d) Critical judgements and significant accounting estimates

Critical accounting estimates

The preparation of a financial report in conformity with AAS 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.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

d) Critical judgements and significant accounting estimates (continued)

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

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

Valuation of investment properties

The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken at least once in a two year period. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 30(l).

Derivative financial instruments

The Directors of the Responsible Entity have decided not to use the option in AASB 139 *Financial Instruments: Recognition and Measurement* to classify the interest rate swaps as cash flow hedges and accordingly these are classified as at fair value through profit or loss, and the changes in the fair value of the derivative financial instruments are recognised in the statement of profit or loss and other comprehensive income.

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the balance date, taking into account current and future interest rates.

Judgements made by management in the application of AAS that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed in Note 30(r).

The accounting policies set out in Note 30 have been applied consistently to all years presented in this financial report. The accounting policies have been applied consistently by all entities in the Fund.

Certain new or amended AAS 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.

The Fund has applied the amendments contained in the Corporations Amendment (Corporate Reporting Reform) Bill 2010 in the preparation of this financial report which allows for removing the requirement in consolidated financial statements to include full parent entity information. A note containing information about the Parent Entity has been included at Note 28.

Note 2: Capital Management

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

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units, purchase the Fund's own units, or sell assets to reduce debt.

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 3: Segment reporting

The Fund invests solely in industrial properties within Australia.

The Chief Operating Decision Maker being, the Managing Director of the Responsible Entity, monitors the performance and results of the Fund at a total Fund level. As a result, the Fund has only one segment. Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for specific non-cash and significant items which management consider to reflect the core earnings of the Fund and is used as a guide to assess the Funds ability to pay distributions to unitholders.

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

	30 June 2016 \$'000	30 June 2015 \$'000
Profit attributable to the unitholders of the Fund	49,788	43,916
Specific non-cash items		
Net gain on fair value of investment properties	(28,900)	(21,719)
Net loss on derivative financial instruments	7,366	4,599
Amortisation of borrowing costs	895	1,088
Straight-lining of lease revenue	(1,388)	(1,142)
Amortisation of incentives and leasing fees	884	605
Loss on fair value of rental guarantee	11	-
Rental guarantee cash received	54	-
Net loss on fair value of financial assets	4,951	740
Significant items		
Business combination transaction costs	8,106	-
Net loss on sale of investment property	140	88
Operating profit (profit before specific non-cash and significant items)	41,907	28,175
Pro forma operating profit of ANI ¹	6,255	-
Operating profit (including pro forma adjustments)	48,162	28,175
Weighted average number of units ('000) used for operating earnings ²	211,957	123,555
Operating profit per unit (including pro forma adjustments) (EPU) - cents	22.7	22.8

1 Pro forma operating profit of ANI represents the net profit of ANI adjusted for specific non-cash and significant items prior to consolidation with TIX. This adjustment allows for a comparison of operating profit to pro forma earnings included in the TIX Offer Bidder's Statement and allows for a more meaningful comparison with earnings in future years. The pro forma adjustment illustrates the overall operating profit of the combined Funds from 1 July 2015 to 30 June 2016 as if the consolidation had occurred on 1 July 2015.

2 The weighted average number of units for the financial year ended 30 June 2016 is calculated using the full number of units on issue post the compulsory acquisition of ANI, which is considered appropriate when applied against the pro forma combined operating profit of ANI and TIX for the full period from 1 July to 30 June 2016.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 4: Distributions

Total distributions paid or payable to unitholders by the Fund during the financial year were as follows:

	30 June 2016	30 June 2015
	\$'000	\$'000
September 2014 quarter paid 4.80 cpu on 24 October 2014	-	5,748
December 2014 quarter paid 5.0675 cpu on 27 January 2015	-	6,202
March 2015 quarter paid 5.0662 cpu on 24 April 2015	-	6,327
June 2015 quarter paid 6.0663 cpu on 24 July 2015	-	9,249
September 2015 quarter paid 5.375 cpu on 23 October 2015	10,227	-
December 2015 quarter paid 5.375 cpu on 27 January 2016	11,393	-
March 2016 quarter paid 5.425 cpu on 28 April 2016	11,499	-
June 2016 quarter paid 5.425 cpu on 26 July 2016	11,499	-
Total distributions	44,618	27,526

Note 5: Rental income

	30 June 2016	30 June 2015
	\$'000	\$'000
Rent	74,605	46,756
Straight-lining of lease revenue	1,388	1,142
Amortisation of incentives and leasing fees	(884)	(605)
	75,109	47,293

Note 6: Net gain on fair value of investment properties

	30 June 2016	30 June 2015
	Note	\$'000
		\$'000
Fair value loss of non-current assets held for sale	15	(5)
Fair value gain of investment properties	16	28,905
		28,900
		21,727
		21,719

360 Capital Industrial Fund and its controlled entities**Notes to the financial report****For the year ended 30 June 2016**

Note 7: Distributions from property funds

Distributions from property funds include:

	30 June 2016	30 June 2015
	\$'000	\$'000
Australian Industrial REIT	-	2,897
	-	2,897

The ANI paid a distribution on 2 September 2015. The Fund completed the compulsory acquisition of ANI on 1 December 2015 (refer to Note 17).

Note 8: Net loss on fair value of financial assets net of transaction costs

	30 June 2016	30 June 2015
	\$'000	\$'000
Gain on fair value of financial assets	-	(226)
Transaction costs	-	966
Loss on fair value of financial assets	4,951	-
	4,951	740

The loss on fair value of financial assets relates to the revaluation of the existing ANI investment on acquisition date (refer to Note 17).

Note 9: Net loss on derivative financial instruments

	30 June 2016	30 June 2015
	\$'000	\$'000
Net loss on fair value of derivative financial instruments	7,366	4,408
Loss on termination of derivative financial instruments	-	191
	7,366	4,599

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 10: Finance costs

	30 June 2016	30 June 2015
	\$'000	\$'000
Interest and finance charges paid and payable	13,925	9,452
Amortisation of capitalised borrowing costs on debt facilities	895	1,088
	14,820	10,540

Note 11: Auditors' remuneration

	30 June 2016	30 June 2015
	\$	\$
<u>Audit services</u>		
Audit services	129,200	88,010
Audit of compliance plan	3,680	3,000
Other assurance services	-	40,000
	132,880	131,010
<u>Other services</u>		
Taxation compliance services	40,975	49,750
Total auditors' remuneration	173,855	180,760

Note 12: Earnings per unit

	30 June 2016	30 June 2015
	¢	¢
	\$'000	\$'000
Basic and diluted earnings per unit attributable to unitholders of the Fund	25.7	35.5
Basic and diluted earnings		
Net profit attributable to unitholders of the Fund	49,788	43,916
	000's	000's
Weighted average number of units		
Weighted average number of units	194,079	123,555

Note 13: Cash and cash equivalents

	30 June 2016	30 June 2015
	\$'000	\$'000
Cash at bank	4,452	6,329
Cash and cash equivalents in the statement of cash flows	4,452	6,329

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 14: Receivables

	30 June 2016 \$'000	30 June 2015 \$'000
Current		
Trade receivables	1,542	389
Distributions receivable	-	2,897
Prepayments and other receivables	1,573	878
	3,115	4,164

a) Bad and doubtful trade receivables

During the year, the Fund incurred \$134,816 (2015: \$189,702) in respect of writing off and provisioning for bad and doubtful trade receivables. At balance date the provision for bad and doubtful receivables was \$152,516 (2015: \$28,430).

b) Credit risk

The Fund reviews all receivables for impairment. Any receivables which are doubtful have been provided for.

The ageing of trade receivables at the reporting date was as follows:

	30 June 2016 \$'000	30 June 2015 \$'000
Current		
1 to 3 months	167	48
More than 3 months	136	61
	1,695	417

As at 30 June 2016, trade receivables of \$149,534 (2015: \$80,595) were past due but not provisioned for.

Note 15: Investment property - held for sale

	30 June 2016 \$'000	30 June 2015 \$'000
33-59 Clarinda Road, South Oakleigh, VIC	-	10,500
74-94 Newton Road, Wetherill Park, NSW	22,800	-
	22,800	10,500
Less: lease income receivable	(6)	(42)
	22,794	10,458

Assets are classified as held for sale when it is considered highly probable that they would be sold within 12 months of the balance date. On 18 December 2015, 33-59 Clarinda Road, Oakleigh South, VIC was sold for \$10.5 million with net proceeds used to reduce debt. At 30 June 2016, 74-94 Newton Road, Wetherill Park, NSW was being marketed under a select sales campaign.

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For the year ended 30 June 2016

Note 16: Investment properties

	Book value	Capitalisation rate		Discount rate		Date of last external valuation	Last external valuation \$'000
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	%	%	%
Date of acquisition	\$'000	\$'000	%	%	%	%	\$'000
Investment property valuations							
12-13 Dansu Court, Hallam, VIC	Dec 03	14,100	13,650	7.50	7.75	8.50	8.75
14-17 Dansu Court, Hallam, VIC	Dec 03	17,400	16,250	7.50	7.75	8.50	8.75
39-45 Wedgewood Road, Hallam, VIC	Dec 03	9,300	8,500	7.75	8.25	8.75	9.75
310 Spearwood Avenue, Bibra Lake, WA	May 05	50,000	50,000	8.00	8.50	9.75	10.25
6 Albert Street, Preston, VIC	Mar 06	25,400	25,400	7.75	8.00	8.25	9.00
102-128 Bridge Road, Keysborough, VIC	Jul 06	30,300	29,200	7.75	8.00	8.50	9.00
60 Maple Avenue, Villawood, NSW	Feb 07	18,500	20,000	8.50	8.75	8.50	9.75
500 Princes Highway, Noble Park, VIC	Oct 07	20,000	20,000	8.25	8.75	8.50	9.75
8 Penelope Crescent, Arndell Park, NSW	Nov 07	15,500	14,500	7.50	8.50	8.75	9.75
Jan 08	26,200	24,700	8.00	8.50	9.00	9.50	9.50
37-51 Scrivener Street, Warwick Farm, NSW	Jun 12	15,250	14,500	7.25	7.75	8.50	9.25
54 Sawmill Circuit, Hume, ACT	Jun 12	9,600	9,800	8.50	8.25	9.25	9.25
9-13 Caribou Drive, Direk, SA	Jun 12	43,300	40,500	7.25	7.50	8.50	8.75
22 Hawkins Crescent, Bundamba, QLD	Jun 12	36,600	35,000	7.75	8.00	8.25	9.25
1 Ashburn Road, Bundamba, QLD	Jun 13	26,000	24,300	6.75	7.00	8.50	8.75
Jun 13	20,600	20,400	7.25	7.50	8.00	9.00	9.00
2 Woolworths Way, Warnervale, NSW	Jul 14	80,850	76,500	7.25	7.50	8.50	9.00
21 Jay Street, Mount St John, Townsville, QLD	Jul 14	10,800	10,200	8.00	8.00	9.00	8.75
Sep 14	26,500	25,500	7.50	7.50	9.00	9.50	9.50
Dec 14	29,000	28,250	6.50	7.25	7.75	8.50	8.50
Jan 15	28,300	26,250	7.25	8.25	8.75	9.00	9.00

360 Capital Industrial Fund and its controlled entities
Notes to the financial report
For the year ended 30 June 2016

Note 16: Investment properties (continued)

	Book value		Capitalisation rate		Discount rate		Last external valuation \$'000
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 % %	30 June 2015 % %	30 June 2015 % %	30 June 2015 % %	
92-98 Cosgrove Road, Enfield, NSW ¹	Oct 15	37,600	-	7.50	-	8.50	-
10 Williamson Road, Ingleburn, NSW ¹	Oct 15	36,500	-	7.50	-	8.50	-
12 Williamson Road, Ingleburn, NSW ¹	Oct 15	34,000	-	7.25	-	8.50	-
29 Glendenning Road, Glendenning, NSW ¹	Oct 15	39,050	-	6.50	-	8.25	-
74-94 Newton Road, Wetherill Park, NSW ^{1,2}	Oct 15	-	-	-	-	-	-
6 Macdonald Road, Ingleburn, NSW ¹	Oct 15	17,900	-	7.25	-	8.25	-
30 Clay Place, Eastern Creek, NSW ¹	Oct 15	16,300	-	6.50	-	8.25	-
52-74 Quarry Road, Erskine Park, NSW ¹	Oct 15	15,200	-	6.75	-	8.25	-
75 Owen Street, Glendenning, NSW ¹	Oct 15	7,750	-	6.75	-	8.25	-
24-32 Stanley Drive, Somerton, VIC ¹	Oct 15	27,400	-	7.50	-	8.50	-
324-332 Frankston-Dandenong Road, Dandenong South, VIC ¹	Oct 15	27,100	-	7.50	-	8.25	-
49 Temple Drive, Thomastown, VIC ¹	Oct 15	13,000	-	8.00	-	8.50	-
2 Keon Parade, Keon Park, VIC ¹	Oct 15	19,750	-	7.25	-	8.75	-
9 Fellowes Court, Tullamarine, VIC ¹	Oct 15	3,750	-	7.25	-	8.25	-
23 Selkis Road, Bibra Lake, WA ¹	Oct 15	17,300	-	8.25	-	9.00	-
99 Quill Way, Henderson, WA ¹	Oct 15	16,300	-	8.25	-	9.25	-
Total		882,400		533,400			
Less: lease income receivable		(11,320)		(9,936)			
		871,080		523,464			

¹ Property acquired through the ANI Acquisition.

² The property book value of 74-94 Newton Road, Wetherill Park, NSW was transferred to investment property – held for sale (refer to Note 15).

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 16: Investment Properties (continued)

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Movement during the financial year:			
Opening balance as at 1 July		533,400	353,800
Properties acquired through the ANI Acquisition		331,326	-
Transfer to non-current assets held for sale	15	(22,800)	(10,500)
Additions to investment properties		715	1,173
Acquisitions of investment properties and associated costs		9,641	164,919
Net gain on fair value of investment properties		28,905	21,727
Straight-lining of lease revenue		1,416	1,142
Payments of incentives and leasing fees		738	1,744
Amortisation of incentives and leasing fees		(876)	(605)
Loss on fair value of rental guarantee		(11)	-
Rental guarantee cash received		(54)	-
Closing balance		882,400	533,400

Upon gaining control of the ANI Fund on 12 October 2015 ("Acquisition date"), a total of 16 investment properties totalling \$331.3 million were acquired (refer to Note 17).

As part of the investment property portfolio obtained through the ANI Acquisition, the building situated at 2 Keon Parade, Keon Park, VIC was contracted to undertake an alterations and extensions project totalling \$10.4 million, expected to be practically completed by August 2016. Subsequent to the ANI Acquisition, \$9.6 million in development costs have been incurred and capitalised to the property value with a further \$0.8 million contracted to still be completed post balance date.

a) Valuation basis

Investment properties are carried at fair value. Fair value of the properties is determined by the Directors, having regard to the most recent independent valuations prepared by valuers with appropriately recognised professional qualification and recent experience in the location and category of the property being valued. Valuation methods used to determine the fair value include market sales comparison, discounted cash flow and capitalisation rate. The fair value for a property may be determined using a combination of these and other valuation methods. As discounted cash flow and capitalisation rate use unobservable inputs, the investment property is categorised as Level 3 under the Fair Value Hierarchy. These inputs include net passing rent, gross market rent and net market rent as set out in the sensitivity matrix in Note 16(b). For all investment properties current use reflects highest and best use.

Market sales comparison: The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales, activity adjustments are made from previous comparable sales to reflect changes in economic conditions.

Discounted cash flow: Projections derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space are discounted at a rate to arrive at a value. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property absolute to returns from alternative investments, CPI rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at terminal value. The terminal value is determined by using an appropriate capitalisation rate on termination ("termination yield").

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 16: Investment Properties (continued)

Capitalisation rate: An assessment is made of fully leased net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased net income is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments, including incentives, capitalised expenditure and reversions to market rent are made to arrive at the property value.

b) Sensitivity information

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net passing rent	Increase	Decrease
Gross market rent	Increase	Decrease
Net market rent	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note 23 Fair value hierarchy for further information.

Net passing rent is the contracted amount for which a property or space within a property is leased. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

Gross market rent is the estimated total amount for which a tenancy within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion.

Net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

c) Leases as lessor

The investment properties (including investment properties classified as held for sale) are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of the investment properties not recognised in the financial statements are receivable as follows:

	30 June 2016	30 June 2015
	\$'000	\$'000
No later than 12 months	65,218	42,326
Between 12 months and five years	176,734	135,431
Greater than five years	101,963	81,718
	343,915	259,475

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 17: Business combinations and acquisition of non-controlling interests

Acquisition of Australian Industrial REIT

Summary of acquisition

On 19 December 2014, a formal, off market, takeover offer ("Offer") for all the units in the ANI was made by the Fund and a Bidder's Statement was lodged with the ASX on 3 February 2015. On 28 September 2015, the fourth and final Supplementary Bidder's Statement was lodged with the ASX. This updated Offer to ANI unitholders proposed a unit exchange of 0.9 TIX units for every one ANI unit, a 14.5 cents cash payment per ANI unit and an additional 10.0 cents cash payment per ANI unit to be paid by the 360 Capital Group.

By 12 October 2015, the Fund had received a cumulative total of 75.0% of acceptances under the Offer, thus establishing effective control of the entity. On this date alone ("Acquisition date") the Fund received 38.2% of acceptances in the Offer, bringing the total ownership to over 50.0% of units in ANI, thus meaning the Fund had effectively obtained the ability to control ANI through holding greater than 50.0% of units on issue. By reaching over 50% on 12 October 2015 the TIX offer was required to be extended by two weeks and by the end of this extended period, on 26 October 2015 the acceptances had reached 93.3%. Post reaching greater than 90% during the extension period the Fund elected to compulsorily acquire the remaining 6.7%. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of ANI for the 8.5 months period from Acquisition date. On 1 December 2015, the Fund completed the compulsory acquisition of ANI.

The acquisition of ANI has created the largest listed pure rent-collecting industrial REIT in Australia: the combination of TIX and ANI has created the market leading sector specialist with a total investment portfolio of \$905.2 million, providing for increased liquidity, scale and diversification.

Details of the purchase consideration to acquire the controlling interest in ANI on 12 October 2015 are as follows:

	\$'000
Cash paid	8,823
Units issued at fair value	128,705
Financial assets at fair value through profit or loss	79,020
Total purchase consideration	216,548

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	\$'000
Assets	
Cash and cash equivalents	1,925
Receivables	863
Investment properties	331,326
Liabilities	
Trade and other payables	(6,335)
Borrowings	(120,000)
Derivative financial instruments	(1,732)
Net identifiable assets acquired including external non-controlling interests	206,047
Add: Goodwill	10,501
Total purchase consideration	216,548

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 17: Business combinations and acquisition of non-controlling interests (continued)

The fair value of receivables and other financial assets approximates the collectible amount. External non-controlling interests have been calculated at the respective share of net assets.

The goodwill represents the difference between total purchase consideration and net identifiable assets acquired. The assessment of net identifiable assets and calculation of goodwill on purchase has been finalised as at 30 June 2016.

Revenue and profit contribution

The acquired business contributed revenues of \$25.0 million and a net profit of \$26.4 million to the Fund from 12 October 2015 to 30 June 2016.

If the acquisition had occurred on 1 July 2015, consolidated total revenue from continuing operations and the consolidated net profit of the Fund for the year ended 30 June 2016 would have been \$85.8 million and \$39.9 million respectively. Net profit for the year from 1 July 2015 would include transaction costs of \$2.9 million expensed by ANI prior to the Acquisition date. These amounts have been calculated using the Fund's accounting policies.

Contingent consideration

There is no contingent consideration as part of this transaction.

Purchase consideration – cash outflow on acquisition

	\$'000
Cash consideration paid	8,823
Less: Cash and cash equivalents acquired	(1,925)
Outflow of cash to acquire subsidiary	6,898
Add: Business combination transaction costs expensed through profit or loss	8,106
Add: Business combination transaction costs recognised in equity	168
Total cash outflow to acquire subsidiary	15,172

Acquisition related costs

Acquisition related costs of \$8.1 million incurred have been expensed in the consolidated statement of profit or loss and have been included as part of net cash flows from investing activities in the consolidated statement of cash flows. Transaction costs include stamp duty applicable to the transfer of ownership of the ANI property portfolio, legal and advisory fees. The attributable costs of the issuance of equity of \$0.2 million have been charged directly to equity as a reduction in issued capital and have been included as part of net cash flows from financing activities in the consolidated statement of cash flows.

Units issued

Prior to gaining control of ANI on 12 October 2015, the Fund had issued 31,890,005 units (valued at \$78.6 million based on the daily market trading rates of TIX at the date of each issue) to unitholders of ANI as scrip consideration for the Offer. Upon gaining control of ANI on 12 October 2015, the Fund issued a further 33,121,951 units valued at \$77.8 million. The remaining units were acquired during the period from 13 October 2015 to 1 December 2015 including the part scrip consideration issue of 21,647,562 units valued at \$54.4 million.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 17: Business combinations and acquisition of non-controlling interests (continued)

Goodwill

Goodwill of \$10.5 million was recognised on acquisition and was attributable to the premium associated with the ANI Acquisition. The ANI investment portfolio comprises industrial properties which were carried at fair value at the date of acquisition. The properties acquired together with the Fund's other investment properties, contribute collectively as the relevant cash generating unit ("CGU"). The recoverable amount of the CGU is determined to be the higher of the fair value less cost of disposal, and its value in use. The Fund has determined that the recoverable amount of the CGU, being higher of its fair value less cost of disposal and its value in use, is considered to be its value in use.

The value in use calculation is based on property forecast cash flows covering a five year period reflecting specific property level assumptions consistent with the property valuations together with forecast fund level costs. Cash flows beyond five years are extrapolated using appropriate estimated growth rates. The key assumptions used to determine the forecast cash flows of the properties include net market rent, capital expenditure, capitalisation rate, growth rate, discount rate, and market conditions, refer to Note 16 for further details on property valuations. The discount rate used of 8.57% is a post-tax rate consistent with the 30 June 2016 property valuations reflecting the risks of the investment property portfolio as a whole. An increase in the weighted average discount rate to 8.90% would result in the impairment of goodwill. A terminal growth rate of 2.75% is adopted which does not exceed the long term average growth rate associated with the industrial investment property sector. A reduction in terminal growth rate to 2.30% would result in the impairment of goodwill.

The recoverable amount of goodwill exceeds the carrying value at 30 June 2016. There was no impairment of goodwill during the year.

Loss on fair value of financial assets

Prior to gaining control of ANI on 12 October 2015, the Fund had accumulated an ownership interest of 36.8% and had recognised this investment as a financial asset at fair value through profit or loss. Upon gaining control of ANI, this investment was treated as if it was disposed of at fair value on Acquisition date and the resulting loss recognised in profit or loss.

	\$'000
Opening balance at 1 July 2015: Financial assets at fair value through profit or loss	68,807
Consideration paid for units	15,164
Disposal of financial assets (at Acquisition date fair value)	(79,020)
Loss on fair value of financial assets	4,951

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 18: Trade and other payables

	30 June 2016 \$'000	30 June 2015 \$'000
Trade payables	1,658	18
Accruals and other creditors	7,650	4,115
	9,308	4,133

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

Note 19: Distribution payable

	30 June 2016 \$'000	30 June 2015 \$'000
Distribution payable	11,499	9,249

The distribution payable represents the June 2016 quarter distribution (5.425 cpu) which was paid on 26 July 2016.

Note 20: Borrowings

	30 June 2016 \$'000	30 June 2015 \$'000
Non-current		
Borrowings - secured	391,500	253,000
Capitalised borrowing costs	(1,299)	(1,253)
	390,201	251,747
Borrowings - secured		
Total facility limit	420,000	305,000
Used at end of reporting date	391,500	253,000
Unused at end of reporting date	28,500	52,000
Movement during the financial year:		
Opening balance as at 1 July	253,000	157,340
Borrowings acquired through the ANI Acquisition	120,000	-
Repayments of facility	(153,600)	(19,340)
Drawdowns from facility	172,100	115,000
Closing balance	391,500	253,000

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 20: Borrowings (continued)

a) Loan facilities summary

NAB and Bankwest syndicated debt facility

At balance date the syndicated facility with NAB and Bankwest was drawn to \$391.5 million (June 2015: \$253.0 million) with a total facility limit of \$420.0 million.

ANI NAB facility

At the date of acquisition of ANI on 12 October 2015, ANI had a NAB facility of \$130.0 million and \$90.0 million of interest rate swap agreements. The change in control of the ANI Fund gave rise to a review event under its debt facility, the Fund received a waiver associated with the review event until mid-February 2016, allowing the Fund time to renegotiate its debt facilities. Prior to the expiry of the waiver the Fund renegotiated its syndicated debt facility and repaid the ANI facility in full.

Renegotiated syndicated debt facility

The Fund renegotiated its syndicated facility limit to \$420.0 million, with NAB increasing its facility to \$250.0 million and Bankwest increasing its facility to \$170.0 million. The majority of the renegotiated syndicated debt facility of \$325.0 million will expire in line with the existing expiry in December 2017 and the new \$95.0 million Bankwest tranche will expire in February 2019. The ANI debt facility was repaid using the Fund's syndicated debt facility. A new \$80.0 million interest rate swap agreement was entered into with Bankwest. The Fund's interest rate hedge agreements total \$400.0 million.

b) Funding covenants

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

As at 30 June 2016 the Syndicated debt facility was drawn to \$391.5 million, which represents a LVR of 43.2% based on the most recent attributable external valuations adopted by the banking syndicate, which complied with the bank covenant of less than 55.0%. As at 30 June 2016 the ICR was calculated to be 4.5 times for the syndicated debt facility, which complied with the bank covenant of nothing less than 2.0 times.

c) Assets pledged as security

The loans are secured by a registered first mortgage over the investment property.

The carrying amounts of assets pledged as security are:

	Note	30 June 2016	30 June 2015
		\$'000	\$'000
Investment properties held for sale	15	22,800	10,500
Investment properties	16	882,400	533,400
		905,200	543,900

360 Capital Industrial Fund and its controlled entities**Notes to the financial report****For the year ended 30 June 2016**

Note 21: Derivative financial instruments

	30 June 2016 \$'000	30 June 2015 \$'000
Non-current liabilities		
Interest rate swap contracts - fair value	10,664	1,566
Total	10,664	1,566

The Fund utilises derivative financial instruments to hedge exposure to fluctuations in interest rates.

a) Interest rate swap commercial hedge contracts

Interest-bearing liabilities of the Fund carried a weighted average effective interest rate of 2.98% (2015: 3.95%) at balance date. The debt may be protected all or in part from exposure to increasing interest rates, and to ensure steady cash flow of the Fund. Accordingly, the Fund has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swap contracts currently in place cover 102.2% (2015: 90.9%) of the loan principal. At balance date, the total principal value of interest rate swaps in place covered \$400.0 million (2015: \$230.0 million). Further information regarding the swap contracts in place during the financial year is available in Note 9.

As explained in Note 30(j), the interest rate swaps have not been designated as hedges for accounting purposes and hence all changes in fair value are recognised immediately in the statement of profit or loss.

Note 22: Equity**(a) Issued Units**

	30 June 2016 000's	30 June 2015 000's
360 Capital Industrial Fund - Ordinary units issued	211,957	152,458
	\$'000	\$'000
360 Capital Industrial Fund - Ordinary units issued	538,551	398,630

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 22: Equity (continued)

(b) Movements in issued units

Movements in issued units of the Fund for the year ended 30 June 2016 were as follows:

Movement in number of issued units:

	2016 000's	2015 000's
Opening balance as at 1 July	152,458	91,520
Equity issued through DRP	-	5,533
Equity issued through capital raise	-	28,245
Equity issued through ANI Acquisition	59,499	27,160
Closing balance	211,957	152,458

Movement in value of issued units:

	2016 \$'000	2015 \$'000
Opening balance as at 1 July	398,630	260,431
Equity issued through DRP	-	12,986
Equity issued through capital raise	-	61,010
Equity issued through ANI Offer	140,089	67,223
Equity raising cost	(168)	(3,020)
Closing balance	538,551	398,630

Pursuant to the ANI Acquisition (described in more detail in Note 17), the Fund issued 59,499,744 units (valued at \$140.1 million based on the daily market trading rates of TIX at the date of each issue) for the financial year ended 30 June 2016. The Offer terms included that the Fund would issue 0.9 TIX units for every ANI unit held by ANI unitholders that accepted the Offer. The Offer was completed on 1 December 2015 through a compulsory acquisition process resulting in the Fund owning 100.0% of the issued capital of ANI.

The Responsible Entity did not activate the DRP during the financial year ended 30 June 2016. The Fund raised \$13.0 million through the DRP during the financial year ended 30 June 2015. In total, 5,532,395 units were issued on the distribution payment dates in October 2014, January 2015 and April 2015 when the DRP was in effect. Units were issued at a 1.5% discount to the Fund's 10 day weighted average trading price as per the Fund's DRP policy.

	30 June 2016 \$'000	30 June 2015 \$'000
September 2014 quarter DRP issued 2,619,679 units at \$2.1944 per unit	-	5,748
December 2014 quarter DRP issued 2,504,150 units at \$2.4766 per unit	-	6,202
March 2015 quarter DRP issued 408,566 units at \$2.5356 per unit	-	1,036
Total distributions reinvested	-	12,986

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 23: 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 below.

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
	2016	2015
	\$'000	\$'000
Cash and cash equivalents	4,452	6,329
Receivables	3,115	4,164
Total	7,567	10,493

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

Market risk

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

Interest rate risk

The Fund's interest rate risk arises from long term borrowings and cash balances. The Fund manages this exposure by fixing its interest rates on borrowings.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 23: Other financial assets and liabilities (continued)

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

	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing more than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
30 June 2016						
<u>Financial assets</u>						
Cash and cash equivalents	4,452	-	-	-	-	4,452
Trade and other receivables	-	-	-	-	3,115	3,115
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Total financial assets	4,452	-	-	-	3,115	7,567
Weighted average interest rate	2.00%					
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	9,308	9,308
Distributions payable	-	-	-	-	11,499	11,499
Borrowings	-	-	391,500	-	-	391,500
Derivative financial instruments	-	-	-	-	10,664	10,664
Total financial liabilities	-	-	391,500	-	31,471	422,971
Weighted average interest rate			3.78%			
Net financial assets/(liabilities)	4,452	-	(391,500)	-	(28,356)	(415,404)
30 June 2015						
<u>Financial assets</u>						
Cash and cash equivalents	6,329	-	-	-	-	6,329
Trade and other receivables	-	-	-	-	4,164	4,164
Financial assets at fair value through profit or loss	-	-	-	-	68,807	68,807
Total financial assets	6,329	-	-	-	72,971	79,300
Weighted average interest rate	1.50%					
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	4,133	4,133
Distributions payable	-	-	-	-	9,249	9,249
Borrowings	23,000	-	230,000	-	-	253,000
Derivative financial instruments	-	-	-	-	1,566	1,566
Total financial liabilities	23,000	-	230,000	-	14,948	267,948
Weighted average interest rate	3.34%		3.90%			
Net financial assets/(liabilities)	(16,671)	-	(230,000)	-	58,023	(188,648)

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 23: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis

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

	Carrying amount \$'000	Change in interest rate		
		-1%	+1%	
		Profit \$'000	Profit \$'000	
30 June 2016				
<u>Financial assets</u>				
Cash and cash equivalents	4,452	(45)	45	
<u>Financial liabilities</u>				
Borrowings	390,201	-	-	
Derivative financial instruments	10,664	(12,150)	11,749	
Total (decrease)/increase	(12,195)	11,794		
30 June 2015				
<u>Financial assets</u>				
Cash and cash equivalents	6,329	(63)	63	
<u>Financial liabilities</u>				
Borrowings	251,747	230	(230)	
Derivative financial instruments	1,566	(9,842)	9,399	
Total (decrease)/increase	(9,675)	9,232		

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.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 23: Other financial assets and liabilities (continued)

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

	Carrying amount \$'000	Contractual cash flow \$'000	Less than 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000
30 June 2016					
Trade and other payables	9,308	9,308	9,308	-	-
Distribution payable	11,499	11,499	11,499	-	-
Borrowings	390,201	413,570	12,584	400,986	-
Derivative financial instruments	10,664	8,136	2,457	5,679	-
	421,672	442,513	35,848	406,665	-
30 June 2015					
Trade and other payables	4,133	4,133	4,133	-	-
Distribution payable	9,249	9,249	9,249	-	-
Borrowings	251,747	274,549	8,710	265,839	-
Derivative financial instruments	1,566	5,743	1,292	4,451	-
	266,695	293,673	23,384	270,290	-

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.

The investments within the Fund are only listed property securities. These risks include, but are not limited to, exposure from different investment classes and geographical locations. The overall risk to exposures from investments is monitored and managed by the Board. The framework of the composition of the securities held by the Fund is in line with Fund policies.

The acquisition of ANI was completed on 1 December 2015. All listed property securities invested by the Fund were converted into TIX units and the Fund does not have any material exposure to any price risks post ANI acquisition.

Other market risk

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 23: Other financial assets and liabilities (continued)

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2016:

	Carrying value		Fair value	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000
Non-current financial liabilities				
Borrowings	390,201	251,747	391,500	253,000
Total non-current financial liabilities	390,201	251,747	391,500	253,000

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. The fair values quoted in the above table in relation to non-current liabilities are all categorised within the fair value hierarchy as Level 2 inputs.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy. Described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

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

As at 30 June 2016, the Fund held the following classes of financial instruments measured at fair value:

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
As at 30 June 2016:				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	-	-	-	-
Financial liabilities measured at fair value				
Derivative financial instruments	(10,664)	-	(10,664)	-
	(10,664)	-	(10,664)	-

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 23: Other financial assets and liabilities (continued)

As at 30 June 2015, the Fund held the following classes of financial instruments measured at fair value:

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
As at 30 June 2015:				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	68,807	68,807	-	-
Financial liabilities measured at fair value				
Derivative financial instruments	1,566	-	1,566	-
	70,373	68,807	1,566	-

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

Financial assets at fair value through profit or loss

The Fund has only invested 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.

During the year, listed property securities invested by the Fund were converted into TIX units as part of the acquisition of ANI was completed on 1 December 2015 and the Fund does not hold any financial assets at fair value at balance date.

Derivative financial instruments

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

Borrowings

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

360 Capital Industrial Fund and its controlled entities**Notes to the financial report****For the year ended 30 June 2016****Note 24: Reconciliation of net profit to net cash inflows from operating activities**

	30 June 2016	30 June 2015
	\$'000	\$'000
Net profit for the year	49,788	43,916
<u>Adjustment for:</u>		
Net changes in fair value of investment properties	(28,900)	(21,719)
Net loss on derivative financial instruments	7,366	4,599
Loss on sale of properties	140	88
Amortisation of borrowing costs	895	1,088
Loss on fair value of rental guarantee	11	-
Net loss/(gain) on fair value of financial assets	4,951	(226)
Business combination transaction costs	8,106	966
<u>Changes in assets and liabilities:</u>		
Increase in receivables and prepayments	(1,435)	(3,003)
(Decrease)/increase in trade and other payables	(1,451)	660
Net cash inflows from operating activities	39,471	26,369

During the financial year ended 30 June 2016, non-cash transactions regarding the investing and financing activities were entered into by the Fund which have been excluded from the statement of cash flows. The ANI Acquisition was predominantly non-cash and had a direct effect on the capital and asset structure of the Fund. Units valued at \$140.1 million (59.5 million units) were issued during the year as part consideration for the assets and liabilities acquired through the ANI Acquisition. Details of the assets and liabilities acquired through the Acquisition are discussed in more detail in Note 17.

Note 25: Capital commitments and contingencies

The Fund has contracted to undertake an alterations and extensions project for 2 Keon Parade, Keon Park, VIC for totalling \$10.4 million. Subsequent to balance date, a further \$0.8 million contracted to still be completed (refer to Note 16).

The Fund has \$0.2m capital incentive commitments for existing tenants not recognised in the financial statements at balance date.

No other material capital commitments and contingencies exist at the end of the financial year.

Note 26: Related party transactions**Responsible Entity**

The Responsible Entity of 360 Capital Industrial Fund is 360 Capital Investment Management Limited, a wholly owned subsidiary of 360 Capital Group Limited. At a meeting of ANI unitholders on 26 October 2015, 360 Capital ANI Management Limited (a wholly owned subsidiary of 360 Capital Group Limited) was appointed as Responsible Entity of ANI with effect from 28 October 2015. In February 2016, ANI was deregistered as a managed investment scheme and 360 Capital ANI Management Limited was replaced by 360 Capital Investment Management Limited as Trustee.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 26: Related party transactions (continued)

Responsible Entity's fees and other transactions

Under the terms of the constitution, the Responsible Entity is entitled to receive fees in accordance with the Product Disclosure Statement.

Management fees

	30 June 2016	30 June 2015
	\$	\$
Fees for the year paid/payable by the Fund:		
Management of the Fund	5,089,545	3,119,967
Custodian fees	389,220	259,997
Fund recoveries	93,884	36,009
	5,572,649	3,415,973
 Aggregate amounts due to the Responsible Entity at balance date:		
Management of the Fund	1,155	879,746
Custodian fees	10,311	676
Fund recoveries	7,494	33,602
	18,960	914,024

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

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

Unitholdings

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

	30 June 2016	30 June 2015
360 Capital Diversified Property Fund		
Number of units held	33,148,945	26,504,714
Interest % held	15.64%	17.38%
Distributions paid/payable by the Fund (\$)	6,883,954	3,807,934
 360 Capital AREIT Fund		
Number of units held	-	16,204
Interest % held	-	0.01%
Distributions paid by the Fund (\$)	3,945	3,403

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 26: Related party transactions (continued)

On 19 December 2014, an Offer for all the units in ANI was made by the Responsible Entity on behalf of the Fund (this is described in more detail in Note 17). During the financial year ended 30 June 2015 and prior to the announcement of the Offer, the 360 Capital Diversified Fund and the Trafalgar Opportunity Fund No. 4 acquired 5.5% and 7.39% respectively in ANI. These two Funds are wholly owned by 360 Capital Investment Trust which consequently had a total 12.89% ownership of ANI. 360 Capital Investment Trust is stapled to 360 Capital Group Limited, the ultimate parent of the Responsible entity of 360 Capital Industrial Fund. In line with the Offer, these ANI units were converted to TIX units in May 2015 once the Offer had been declared unconditional. Trafalgar Opportunity Fund No. 4 thereafter transferred its units to 360 Capital Diversified Property Fund. Ultimately, the 360 Capital Diversified Property Fund had acquired 11,177,061 units in TIX through the Offer.

Remuneration of Directors and Key Management Personnel of the Responsible Entity

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

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

Loans to Directors and Key Management Personnel of the Responsible Entity

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

Other transactions with Directors and Specified Executives of the Responsible Entity

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

Management personnel Unit holdings

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

Name	Position	30 June 2015		30 June 2016	
		Equity Holding	Acquisitions	Equity Holding	
David van Aanholt	Director	29,160	6,852	36,012	
Tony Robert Pitt	Director	725,998	200,000	925,998	
William John Ballhausen	Director	91,035	18,965	110,000	
Graham Ephraim Lenzner	Director	93,318	-	93,318	
Andrew Graeme Moffat	Director	98,913	-	98,913	

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 27: Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of Domicile	Class of units	Equity Holding	
			2016 %	2015 %
BIPT Preston No. 1 Sub Trust	Australia	Ordinary	100	100
BIPT Marple Ave Holding Trust	Australia	Ordinary	100	100
BIPT Marple Ave Sub Trust	Australia	Ordinary	100	100
BIPT Clarinda Rd Holding Trust	Australia	Ordinary	100	100
BIPT Clarinda Rd Sub Trust	Australia	Ordinary	100	100
BIPT Noble Park Holding Trust	Australia	Ordinary	100	100
BIPT Noble Park Sub Trust	Australia	Ordinary	100	100
BIPT Scrivener Street Holding Trust	Australia	Ordinary	100	100
BIPT Scrivener Street Sub Trust	Australia	Ordinary	100	100
Australian Industrial REIT ¹	Australia	Ordinary	100	-
AIR Somerton Trust ¹	Australia	Ordinary	100	-
AIR Wetherill Park Trust ¹	Australia	Ordinary	100	-
AIR Glendenning Trust ¹	Australia	Ordinary	100	-
AIR Ingleburn Trust ¹	Australia	Ordinary	100	-
AIR Ingleburn 2 Trust ¹	Australia	Ordinary	100	-
AIR Ingleburn 3 Trust ¹	Australia	Ordinary	100	-
AIR Eastern Creek Trust ¹	Australia	Ordinary	100	-
AIR Enfield Trust ¹	Australia	Ordinary	100	-
AIR Tullamarine Trust ¹	Australia	Ordinary	100	-
AIR Thomastown Trust ¹	Australia	Ordinary	100	-
AIR Henderson Trust ¹	Australia	Ordinary	100	-
AIR Dandenong Sough Trust ¹	Australia	Ordinary	100	-
AIR Bibra Lake Trust ¹	Australia	Ordinary	100	-
AIR Glendenning 2 Trust ¹	Australia	Ordinary	100	-
AIR Erskine Park Trust ¹	Australia	Ordinary	100	-
AIR ST1 Trust ¹	Australia	Ordinary	100	-

¹ Entity acquired through the ANI Acquisition.

360 Capital Industrial Fund and its controlled entities**Notes to the financial report****For the year ended 30 June 2016**

Note 28: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Industrial Fund. The information presented below has been prepared using the consistent accounting policies as presented in Note 30.

	30 June 2016	30 June 2015
	\$'000	\$'000
Current assets	2,583	8,741
Non-current assets	861,302	584,756
Total assets	863,885	593,497
Current liabilities	15,220	12,085
Non-current liabilities	398,290	253,313
Total liabilities	413,510	265,398
Issued units	538,551	398,630
Accumulated losses	(88,176)	(70,531)
Total equity	450,375	328,099
Net profit for the year	26,974	26,767
Total comprehensive profit for the year attributable to unitholders	26,974	26,767

Note 29: Events subsequent to balance date

No other matters or circumstances report have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

Note 30: Statement of significant accounting policies

a) Changes in accounting policy

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

- AASB 1057 *Application of Australian Accounting Standards*;
- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to AASB 116 and AASB 138);
- AASB 2014-9 *Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements*;
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards – 2012-2014 Cycle*;
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative : Amendments to AASB 101*; and
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 – Materiality*.

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

b) Basis of consolidation

Subsidiaries

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

Subsidiaries are entities controlled by the Fund in accordance with AASB10. 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 subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

The Fund uses the purchase method of accounting to account for the acquisition of subsidiaries. Intercompany transactions, balances and recognised 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 subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at Acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Fund elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Fund acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the Acquisition date.

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

b) Basis of consolidation (continued)

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

c) Segment reporting

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

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

d) Revenue recognition

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

Rental from investment properties

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

Finance revenue

Finance revenue 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.

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.

Other income

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

e) Finance costs

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

f) Income tax

Under current Australian income tax legislation, the Fund is not liable for income tax provided its taxable income and taxable capital gains are fully distributed to unitholders each year.

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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Cash and cash equivalents

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

i) Receivables

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

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

j) Financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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.

Receivables

Receivables are recognised initially at fair value and subsequently at amortised cost. More information on the treatment is provided in Note 30(i).

Financial assets at fair value through profit or loss

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

j) Financial instruments (continued)

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. 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.

Derivative financial instruments

The Fund uses derivative financial instruments to commercially hedge its risks associated with interest rate fluctuations. The significant interest rate risk arises from bank loans. The Fund does not use derivative financial instruments for speculative purposes.

Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The net fair value of all derivative financial instruments outstanding at the balance date is recognised in the statement of financial position as either a financial asset or liability.

The Directors of the Responsible Entity have decided not to use the option in AASB 139 *Financial Instruments: Recognition and Measurement* to classify the interest rate swaps as cash flow hedges and accordingly these are classified as at fair value through profit or loss, and the changes in the fair value of the derivative financial instruments are recognised in the statement of profit or loss.

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the balance date, taking into account current and future interest rates.

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. The accounting policies adopted for specific financial liabilities and equity instruments are set out in Notes 30(m) to 30(p).

Impairment

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

k) Assets held for sale

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

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

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

k) Assets held for sale (continued)

Investment properties which are classified as held for sale are carried at fair value as the measurement provisions of AASB 5 *Non-current Assets Held for Sale and Discontinuing Operations* do not apply to investment properties. This represents the amount that would be received upon sale of the asset between market participants at balance date in accordance with Australian Valuation Standards.

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

l) Investment properties

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

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

m) Trade and other payables

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

n) Borrowings

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

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

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

o) Provisions

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

Distributions

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

p) Issued units

The Fund issues units which have a limited life under the Fund's constitution and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation* as amended by AASB 2009-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*. Units are recognised at initial consideration less any costs relating to the issue.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised AASB 132, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unitholders.

Where the Fund has issued units in exchange for investments in other Funds, the value of the units issued is recognized at fair value with reference to the market rate per unit issued on settlement date.

q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

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

360 Capital Industrial Fund and its controlled entities

Notes to the financial report

For the year ended 30 June 2016

r) Accounting standards issued but not yet effective

The following new accounting standards have been issued, but are not mandatory as at 30 June 2016. They are available for early adoption, but have not been applied in preparing these financial statements. The Fund plans to adopt these standards on the effective date. The impact of these new standards and interpretations are as follows:

- AASB 9 – *Financial Instruments (Effective January 1, 2018)*. This standard includes requirements to simplify the approach for the classification and measurement of financial instruments. This is not expected to materially impact the Fund's financial statements
- AASB 15 – *Revenue from Contracts with Customers (Effective January 1, 2018)*. This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. At this stage we are currently assessing whether it is likely to impact on the Fund's financial report.
- AASB 16 – *Leases (Effective January 1, 2019)*. This standard establishes the enhanced reporting requirements of the Lessee and lessor when entering into Leases. At this stage we are currently assessing whether it is likely to impact on the Fund's financial report

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

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

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

360 Capital Industrial Fund and its controlled entities

Directors' declaration

For the year ended 30 June 2016

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

- 1) The consolidated financial statements and notes that are set out on pages 9 to 48, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- 2) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- 3) The Directors have given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2016.
- 4) The Directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial reporting Standards.

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



Tony Robert Pitt
Director



Graham Ephraim Lenzner
Director

Sydney
17 August 2016



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working world

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Independent auditor's report to the unitholders of 360 Capital Industrial Fund

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which forms part of the directors' report.

Opinion

In our opinion:

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
17 August 2016

UNITHOLDER INFORMATION

Information below was prepared as at 10 August 2016

a) Top 20 registered unitholders:

Holder Name	Units held	% of issued Units
J P MORGAN NOMINEES AUSTRALIA LIMITED	23,900,061	11.28
360 CAPITAL INVESTMENT MANAGEMENT LIMITED	15,327,653	7.23
360 CAPITAL INVESTMENT MANAGEMENT LIMITED	11,066,303	5.22
CITICORP NOMINEES PTY LIMITED	9,905,579	4.67
NATIONAL NOMINEES LIMITED	9,729,252	4.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,014,887	3.78
360 CAPITAL INVESTMENT MANAGEMENT LIMITED	6,401,181	3.02
MOELIS AUSTRALIA ASSET MANAGEMENT LTD	4,405,990	2.08
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,300,358	1.56
BNP PARIBAS NOMS PTY LTD	1,924,643	0.91
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,732,732	0.82
WYLLIE GROUP PTY LTD	1,388,889	0.66
STANBOX NO 2 PTY LTD	1,125,000	0.53
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	1,113,763	0.53
WYLLIE GROUP PTY LTD	1,000,000	0.47
HORRIE PTY LTD	975,000	0.46
MISS YVONNE CATHERINE LYNCH	920,000	0.43
BRISPOT NOMINEES PTY LTD	905,312	0.43
NAVIGATOR AUSTRALIA LTD	725,869	0.34
SANDHURST TRUSTEES LTD	612,485	0.29
Total Units held by top 20 Unitholders	104,474,957	49.30
Total Units on issue	211,957,288	100.00

b) Distribution of unitholders:

Number of units held by unitholders	Number of holders	Units held	% of issued units
1 to 1,000	490	202,334	0.10
1,001 to 5,000	2,223	7,667,367	3.61
5,001 to 10,000	2,176	16,556,031	7.81
10,001 to 100,000	2,880	68,011,047	32.09
100,001 and over	94	119,520,509	56.39
Total	7,863	211,957,288	100.00

The total number of unitholders with less than a marketable parcel was 139 and they hold 1,270 units.

c) Substantial unitholder notices:

Name of Unitholder	Date of Notice	Units held	% of issued units
360 Capital Investment Management Limited	28/10/2015	34,093,647	16.54
The Vanguard Group Inc.	18/03/2016	11,893,725	5.61

360 Capital Industrial Fund and its controlled entities

For the year ended 30 June 2016

GLOSSARY

Term	Definition
\$ or A\$ or cents	Australian currency
360 Capital Investment Trust	The managed investment trust (ARSN 104 872 844) that represents part of the stapled entity, 360 Capital Group
360 Capital Group Limited	The company (ACN 113 569 136) that represents part of the stapled entity, 360 Capital Group
360 Capital, 360 Capital Group	360 Capital Group, the stapled entity comprising 360 Capital Investment Trust and 360 Capital Group Limited
AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
ANI	Australian Industrial REIT
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
Bankwest	Bankwest (ABN 48 123 123 124)
Board	Board of Directors of the Company/Group
CGT	Capital gains tax
Constitution	The constitution of the Fund, as amended
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer price index
Cpu	Cents per Unit
Director/s	A director of the Group
Distribution yield	Rate of return derived by dividing distribution per Unit by the price
DRP	Distribution Reinvestment Plan
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
Fund Listing	The listing of the Fund and its Units on the Australian Securities Exchange (ASX)
FY	Financial year (1 July to 30 June)
Gross Passing Income	The actual income being paid for a property by existing tenants
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
Group	360 Capital Group, the stapled entity comprising 360 Capital Investment Trust and 360 Capital Group Limited
GST	Goods and services tax (Australia)
HY	Half Year (half year from 1 July to 31 December or 1 January to 30 June)
ICR	Interest Cover Ratio meaning net rent received divided by interest expense incurred on the facility
IFRS	International Financial Reporting Standards
LVR	Loan to value ratio meaning interest bearing liabilities divided by total property values
NAB	National Australia Bank (ABN 12 004 044 937)
NLA	Net lettable area
NPI	Net property income
NTA	Net tangible assets as per the balance sheet
NTA per Unit	Net tangible assets divided by the number of Units on issue
Offer	The formal, off market, takeover offer for all the units in the Australian Industrial REIT (ASX code: ANI)
Operating earnings	Operating earnings is statutory net profit adjusted for non-cash and significant items
p.a.	Per annum
Property/ies	A property or properties owned or to be owned by the Group
Responsible Entity	360 Capital Investment Management Limited (ACN 133 363 185, AFSL 340 304)
Sqm	Square metres
Unit(s)	A unit in the Fund
Unitholder(s)	The holder of a Unit

360 Capital Industrial Fund and its controlled entities**For the year ended 30 June 2016**

WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
YTD	Year to date

360 Capital Industrial Fund and its controlled entities
For the year ended 30 June 2016

CORPORATE DIRECTORY

Responsible Entity

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

Directors & Officers

Non-Executive Directors

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

Executive Director

Tony Robert Pitt (Managing Director)

Officers

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

Custodian

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

Unit Registry

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

Bankers

National Australia Bank
Level 28, 500 Bourke Street Melbourne VIC 3000

Bankwest
Bankwest Place, 300 Murray Street Perth WA 6000

Auditor

Ernst & Young
680 George Street Sydney NSW 2000

Website

www.360capital.com.au

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360 Capital

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