Annual Report
FOR THE YEAR ENDED 30 JUNE 2014

360 CAPITAL GROUP

360 Capital Group comprises 360 Capital Group Limited ABN 18 113 569 136 and its controlled entities and 360 Capital Investment Trust ARSN 104 552 598 and its controlled entities

Contents | **Page**

The Directors of 360 Capital Group Limited ("Company") present their report, together with the annual financial report of 360 Capital Group ("Group") for the year ended 30 June 2014. 360 Capital Group comprises 360 Capital Group Limited ("Parent Entity") and its controlled entities and 360 Capital Investment Trust and its controlled entities.

Directors

The following persons were Directors of 360 Capital Group Limited during the year and up to the date of this report unless otherwise stated:

David van Aanholt (Chairman)
Tony Robert Pitt
William John Ballhausen - Appointed 2 October 2013
Garry Sam Charny - Resigned 21 August 2013
Graham Ephraim Lenzner
Andrew Graeme Moffat - Appointed 2 October 2013

Acquisition of 360 Capital Property Group

Following Securityholder approval at an extraordinary general meeting held on 24 September 2013, the Group:

1) Acquired 360 Capital Property Group through a scrip-for-scrip offer to Securityholders (with a cash election). 360 Capital Property Group was a diversified real estate investment and funds management business;
2) Completed a $70.8 million capital raising via a fully underwritten institutional placement of securities at $0.59 per security. Capital raising proceeds were used to fund the cash election of the acquisition and other funds management initiatives of the Group;
3) Changed the name of Trafalgar Corporate Group Limited to 360 Capital Group Limited.
4) The name of the new Stapled Group is 360 Capital Group.

The Group recommenced trading on the Australian Securities Exchange ("ASX") on 8 October 2013 as 360 Capital Group (ASX Code: TGP). The acquisition has transformed the Group into a diversified real estate investment and funds management business.

Principal activities

The acquisition of the 360 Capital Property Group during the year resulted in the transformation of the Group, from primarily investing in commercial investment properties and property development, into a diversified real estate investment and funds management business. The principal activities of the Group are currently focused on the following core business segments representing:

- Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
- Co-investment in managed funds - aligning interests of the Group with underlying fund investors and providing income through distributions and capital growth in equity values
- Direct asset investment - delivering stable rental cash flows, improved through active management by the Group

During the year the Group made significant progress in disposing of its direct asset investments in view of its ultimate strategy of becoming a pure fund manager with co-investment in the funds it manages.

There were no other significant changes in the nature of activities of 360 Capital Group during the year.

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of 360 Capital Group for the year ended 30 June 2014 was $23.0 million (2013: loss of $6.3 million). The operating profit (profit before specific non-cash items and significant items) was $12.2 million (2013: $4.4 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 Group.

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of 360 Capital Group and operating profit. The operating profit information in the table has not been subject to any specific audit procedures by the Group's auditor but has been extracted from Note 13 of the accompanying financial statements for the year ended 30 June 2014, which have been subject to audit; refer to page 96 for the auditor's report on the financial statements.

	Total core 30 June 2014 $'000	Total core 30 June 2013 $'000
Profit/(loss) after tax attributable to stapled securityholders of 360 Capital Group	**22,973**	**(6,320)**
Specific non-cash items		
Net (gain)/loss on fair value of financial assets	(8,505)	1,055
Reversal of impairment of equity accounted investments	(600)	(778)
Net loss on fair value of investment properties	5,465	10,156
Net loss on fair value of derivative financial instruments	14	-
Net loss disposal of investment properties	-	171
Security based payment expense	518	-
Straight-lining of lease revenue and incentives	620	124
Significant items		
Gain on bargain purchase of 360 Capital Property Group	(9,321)	-
Business combination transaction expenses	791	-
Write back of provision of management fee income from property funds	(2,285)	-
Tax effect		
Tax effect of non-cash and significant item adjustments	2,545	-
Operating profit (profit before specific non-cash and significant items)	**12,215**	**4,408**

Operating and financial review (continued)

The key financial highlights for the year ended 30 June 2014 include:

- Statutory net profit attributable to stapled securityholders of 360 Capital Group of $23.0 million (2013: loss $6.3 million)
- Operating profit of $12.2 million (2013: $4.4 million)
- Statutory Basic EPS[1] of 12.05 cps (2013: loss 7.40 cps)
- Operating EPS[1] of 6.40 cps (2013: 5.16 cps)
- Including "active earnings" (capital deployed into repositioning and trading opportunities) EPS was $19.3 million equating to 10.1 cps for the year
- Distributions of 5.00 cps for FY14 reflecting a payout ratio of 78%
- Net assets[4] increased to $142.6 million from $49.9 million as at 30 June 2013
- 30 June 2014 security trading price of $0.785 per Security up from $0.485 as at 30 June 2013
- Group's market capitalisation increased to $195.2 million from $41.4 million as at 30 June 2013

The key achievements for the year ended 30 June 2014 include:

- Raised $70.8 million via an institutional placement at a 27% premium to the trading price[3]
- Acquired 360 Capital Property Group for $59.0 million transforming the Group
- Increased FUM and direct assets from $821.4 million at acquisition to $1.121 billion[2]
- Refinanced Group with new $25.0 million loan facility
- Acquired the mezzanine Lawson loan for $22.6 million and realised a $4.8 million uplift
- Commenced asset repositioning and re-leasing strategy at the Group's Hurstville property
- Commenced transition to pure funds management and co-investor group with:
  - settlement of disposal of EDI property for $5.3 million in August 2013
  - settlement of Goulburn facility for $4.3 million post year end in August 2014
- Delivered returns to Group and unitholders of managed funds, including:
  - Successful IPO of the $235 million 360 Capital Office Fund on the ASX (ASX code: TOF) in April 2014
  - TOF unconditionally exchanged contracts to dispose of its Burwood asset at a 32.7% premium to book value, preparing its balance sheet for growth
  - Restructure of the 360 Capital Developments Income Fund (Income Fund) resulting in liquidity and a return of capital to its unitholders
  - Continued to drive co-investment income and capital growth with increased FY14 distributions and co-investment value from listed managed funds (TIX FY14 total return 17.3%, TOF NTA increasing 12.0% since listing)

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[1] For the calculation of Basic EPS per security, the number of securities is reduced from 248.7 million to 226.7 million (2013: 85.4 million) which excludes securities issued under the 360 Capital Group Employee Security Plan ("ESP"), which under AASB2: Share-based payments, are not recognised for accounting purposes.. The corresponding ESP loan receivable and interest income are also not recognised.

[2] Funds under management (FUM) includes, $29.0 of CJT estimated total assets (30 June 2014) and the value of ATO Building, Hurstville and excludes value of co-investments, fund loans, and Goulburn asset which settled post 30 June 2014

[3] ASX closing price of $0.465 on 19 August 2013

[4] Excludes amounts relating to 3 Managed Funds with material non-controlling interests, deemed to be controlled under AASB 10. The performance of these managed funds, which are operated as managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's "core" operations. Balances associated with these Funds are only included to the extent of the Group's equity investment value. Please refer to Note 13 Segment reporting.

Financial results summary

The Group's statutory net profit attributable to securityholders for the financial year ended 30 June 2014 was $23.0 million, equating to 12.05cps, a significant turnaround compared to the loss of $6.3 million for FY13.

FY14 operating profit was $12.2 million up 177.1% on FY13, reflecting the growth in operating activities resulting from the acquisition of 360 Capital Property Group.

On an operating basis, FY14 EPS was 6.40cps up 24.0% on the prior year, in line with the revised increase in guidance provided to the market in February 2014. The increase in operating earnings was primarily attributed to the management fees and co-investment returns generated from the 360 Capital Property Group business activities post the acquisition.

The main difference between operating earnings of 6.40cps and statutory profit of 12.05cps was as a result of two factors being active earnings (representing capital deployed into repositioning and trading opportunities) and fair value movements, both of these contributions to the Group's overall returns were created by the Group's ability to actively generate earnings from its capital deployed, and enhance the value of its investments.

In addition to operating earnings, the Group generated active earnings of $7.1 million, comprising fees and profits from the Lawson loan investment of $4.8 million and $2.3 million from restructuring the Income fund as part of TOF's IPO. These active earnings equated to 3.71cps over and above the Group's operating profit per security of 6.40cps.

Fair value movements included the net "bargain purchase gain" of $8.6 million arising from the acquisition of 360 Capital Property Group in October 2013 (reflecting a discount paid compared to the fair value of net assets acquired), this included $5.0 million attributable to the intangible value of the Group's funds management rights at the time, less transaction costs.

These fair value gains were offset by the revaluation of the Group's investment portfolio including the Hurstville property which resulted in a loss of approximately $5.0 million due to the ATO's decision not to renew its lease, and a $0.5 million reduction in the carrying value of the Goulburn asset reflecting the agreed sale price. In total, direct asset revaluations equated to (2.87) cps. Other revaluation and fair value adjustments mainly related to increases in the Group's co-investments, a total uplift of $2.2 million, these were offset by other non-cash adjustments including tax expense, costs of the employee security plan and straight-lining of rental income totalling $3.7 million.

The Group's net asset backing strengthened with total assets increasing by over $100.0 million through the acquisition of 360 Capital Property Group. The Group also recognised an intangible asset of $5.0 million representing the estimated value of the 360 Capital Property Group's management rights at the time of acquisition.

As at 30 June 2014, the Group had a fully drawn $25 million debt facility with NAB. Post 30 June 2014, the Group reduced the amount drawn to $15.8 million via the application of excess cash and proceeds from the Goulburn sale.

The Group's balance sheet as at 30 June 2014 had gross assets of $173.9 million[1] comprising cash and receivables of $22.5 million (12.9%), Co-investments of $100.3 million (57.7%), direct assets $42.8 million (24.6%) and other assets $8.3 million (4.8%).

The Group has utilised the cash and cash equivalents at the time of the capital raising in October 2013, to fund the acquisition of the 360 Capital Property Group, and other activities in line with the Group's business objectives and stated strategy as outlined in the Product Disclosure Statement dated 21 August 2013.

[1] Excludes amounts relating to 3 Managed Funds with material non-controlling interests, deemed to be controlled under AASB 10. The performance of these managed funds, which are operated as managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's "core" operations. Balances associated with these Funds are only included to the extent of the Group's equity investment value. Please refer to Note 13 Segment reporting.

Funds management

With the acquisition of 360 Capital Property Group on 2 October 2014, the Group acquired a substantial and scalable property funds management business comprising both listed and unlisted funds.

In the nine months following, the Group's funds management segment increased its FUM (including direct assets) from $821.4 million at acquisition to $1.12[2] billion and has also rationalised the number of managed funds thereby providing liquidity to unitholders.

During this nine month period, the funds management business generated revenue of $5.3 million from recurring management fees and other income before one-off fees. The funds management division's net operating profit before tax was $1.1 million for FY14.

In addition to the recurring management fees from the funds management division, the Group also received $2.3 million in one-off fees mainly from the recognition of previously impaired fees from the Income Fund.

Listed Funds

The Group now manages two ASX listed Funds and is contracted to take over the management of a third being CJT. Total FY14 FUM across these three funds was $756.7 million.

Over the past 18 months, the Group continued to be well supported in the listed market, with the Group and its managed funds raising in excess of $375 million in new equity.

TIX remains the Group's largest managed fund. With high demand for industrial assets resulting in firming industrial property yields, the Group has remained disciplined in focusing on EPU and DPU as opposed to FUM growth at any cost. Consequently, TIX did not purchase any additional assets over FY14, but saved its capital for deployment post year end into three properties for a total of $103.3 million, taking TIX's FUM to $469.1 million.

In April 2014, TOF settled the acquisition of $135.5 million of high quality office properties after listing on the ASX, following the successful raising of $155.0 million in new equity, including full liquidity for the Income Fund and the signing of a new $100.0 million debt facility.

TOF has a mandate to invest in A-grade suburban assets and B-grade CBD assets, a market characterised by depth and fewer competitors and as such TOF is expected to be one of the main drivers of the Group's recurring management fee revenues.

In February 2014, the Group entered into a conditional contract to purchase the responsible entity of CJT, a small ASX-listed fund with an estimated $29.0 million in total assets. The Group along with the current Board of CJT's responsible entity has undertaken a strategic review of the fund and is supportive of the recommendation of a new investment mandate and proposed change in the responsible entity to 360 Capital which will be formally recommended to CJT unitholders in the coming months.

The aim is for CJT to be managed by the Group and be repositioned as a well-capitalised listed investment vehicle targeting total returns in excess of 12% on equity through property related investment activities including asset repositioning, debt investment, underwriting activities, provision of liquidity and other special situations as they arise. In addition to benefitting CJT unitholders, CJT's new investment mandate is expected to complement both the Group and its managed funds, and is not expected to conflict with the strategies of the Group's other managed funds or the business activities. It is also proposed to change the name of CJT to 360 Capital Total Return Fund.

[2] Funds under management (FUM) includes, $29.0 of CJT estimated total assets and the value of ATO Building, Hurstville and excludes value of co-investments, fund loans, and Goulburn asset which settled post 30 June 2014

Unlisted Funds and Trusts

Within the Group's unlisted Trust business the focus has been to maximise current portfolio value and returns for unitholders and rationalising the non-core Trusts in order to provide liquidity to unitholders. During FY14, the Group purchased the 360 Capital Retail Fund after unitholder approval and, following the sale of its sole asset, providing full liquidity to unitholders. In addition Income Fund Unitholders approved a proposal to receive cash for their units, or as an alternative, units in TOF as part of the TOF IPO.

Post year end, as a result of significant leasing at 44 Sydney Avenue, Canberra, the responsible entity recommended to Canberra Trust unitholders approve the wind up the Trust, which was subsequently approved by Trust unitholders at the meeting on 25 August 2014.

Furthermore, on the 13 August 2014, the Group made an offer to all of the unitholders in the 360 Capital Diversified Property Fund (Diversified Fund) to purchase all of the units the Group does not already own at $0.25 per unit for total consideration of $21.5 million. This transaction is structured as a scheme of arrangement with Fund unitholders to vote on the proposal on 8 September 2014.

On 22 July 2014, the Group launched the 360 Capital AREIT Fund, a property securities fund managed by Damian Diamantopoulos as Head of Property Securities. Damian has over 12 years' experience, as a property securities manager, is responsible for growing the property securities business and is located in the Group's Melbourne office.

The Group's five unlisted closed-ended Trusts, the Diversified Fund and the AREIT Fund represent total funds under management of $319.5 million.

Post year end, the Group also entered into exclusive due diligence to purchase a new neighbourhood shopping centre for approximately $21.9 million, with the Centre expected to be syndicated into a new Unlisted Trust to be launched in September 2014 and providing a template for further unlisted Trusts structured under 360 Capital's management.

The Group is focused on becoming one of the top five providers of unlisted property trusts in Australia and as such intends to grow this business aggressively.

Co-investments in managed funds

As at 30 June 2014, the Group had $101.3 million in co-investments assets including investments, and loans to, its managed funds. The equity co-investments comprised:

- $26.4 million representing a 40.8% stake in 360 Capital 111 St Georges Terrace Property Trust (111 SGT)
- $36.9 million representing a 58.9% stake in 360 Capital Diversified Property Fund and loan
- $38.0 million representing a 25.3% stake in 360 Capital Office Fund (ASX Code: TOF)

In the nine months from the date of the acquisition of 360 Capital Property Group to 30 June 2014, the Group's co-investments generated $6.8 million of Group operating profit, representing a 9.5% annualised income return on capital invested.

The loan investments have been rationalised significantly including the conversion of the Lawson loan to units in TOF leaving the Group with one loan to the Diversified Fund for $1.0 million as at 30 June 2014.

As mentioned above, the Group made an offer to all of the unitholders in the Diversified Fund to purchase all of the units the Group does not already own at $0.25 per unit for a total consideration of $21.5 million. Unitholder approval of this transaction on 8 September 2104 will result in unitholders gaining long sought-after liquidity and the Fund becoming wholly owned subsidiary of the Group, boosting co-investment by the Group by $21.5 million.

The Group also benefited from a further $4.8 million in statutory profits (considered active earnings) from the uplift in value of the Lawson loan from its purchase price of $22.6 million in November 2013, subsequently converting the proceeds to units in TOF at its ASX listing and an additional $2.2 million uplift from recognising the value of the Group's equity interest in the Income Fund.

The Group's co-investment in 111 SGT performed well over FY14 with FY15 distributions forecast to be in line with FY14 at $0.32 per unit, before they expect to increase strongly in FY16 as a result of 25.9% of the property's leases (by income) expiring on passing rents which are significantly below current market rents.

The Group will continue to allocate capital to its listed co-investments and will look to allocate temporary capital to new unlisted property trusts in the form of underwriting capital as it commences rolling out new 360 Capital unlisted managed trusts.

Direct asset investments

Following the acquisition of 360 Capital Property Group, the strategy of the Group has been to transition to become a fund manager and co-investor, and divest its direct real estate investments to redeploy the capital into higher return on equity activities.

In August 2013, the Group settled the disposal of EDI building at Granville for $5.3 million, reducing Group debt with the net proceeds. In December 2013 the Group entered into a conditional sale contract for $4.3 million in relation to its Goulburn facility, and post 30 June 2014, the property was settled with net proceeds used to reduce the Group's drawn debt.

The Group's major remaining direct asset, the ATO building at Hurstville is now being repositioned following the ATO's decision during the period not to renew its lease beyond 15 February 2015 as part of a change of ATO strategy and a major reorganisation of its national accommodation requirements.

The Group has appointed Colliers International to undertake the re-leasing campaign on the ATO building at Hurstville following its recent leasing of over 8,000sqm in TOF's Burwood office complex. A number of prospective tenants have requested lease proposals to accommodate their requirements in FY15, with various inspections also occurring (including NSW State and Federal Government departments and private enterprises).

The Hurstville property is well located within 200m of Hurstville train station; is within close proximity to Westfield Hurstville and surrounding amenity; has a high level of car spaces within the property and is 5.0 star NABERS rated and as such needs minimal capital expenditure to its plant and building services.

360 Capital and its consultants have formalised the building's capital expenditure requirements post the ATO's departure. These works are expected to cost between $5.0 million and $5.5 million.

The Group's strategy of divesting assets and recycling capital into other activities has not changed as a result of the ATO's impending departure. The property has a book value of $38.5 million as at 30 June 2014, a value reflecting the impending expiry.

The Group's stated strategy allows it to consider a number of potential disposal strategies for the Hurstville property which may include disposal to one of 360 Capital's managed funds, or to the open market. A potential disposal part way through the current releasing campaign on a structured basis may also be considered, as is, as long as the net proceeds were in line with the Group's expected uplift as if a full releasing campaign had occurred (less costs).

FY14 operating net profit from direct asset investment was $5.9 million, up 5.6% on the prior year mainly as a result of reduced interest costs in 2014 through reduced borrowings within the Group.

Summary and Outlook

The Group is in the final stages of implementing its business plan to become a pure funds management and co-investor group, as outlined during the October 2013 capital raising. The ATO building at Hurstville is the last asset to dispose of from the Group's balance sheet. The Group will continue to maintain its "capital light" strategy, opting to grow earnings and distributions per Security in excess of its peers from a tight capital base.

Risks to the Group in the coming year primarily involve earnings variability associated with the outcome for the ATO building, in terms of both re-leasing and any potential gain from a possible sale of the asset. However this is mitigated by the Group's focused management of the asset and proven ability to deal with any scenarios that may eventuate through a divestment program.

The Group considers that the commercial real estate markets have become fully priced and is prepared to stand still and/or opportunistically sell assets where mispricing occurs in the market. The Group maintains its active approach to transactions ensuring that it continues to get an opportunity to participate in majority of transactions in Australian commercial real estate marketplace.

The Group's objectives for the coming year are;

- To remain well capitalised and continue to maintain a "capital light" strategy to grow earnings and distributions per security in excess of its peers.
- To maintain a strategic business approach and recognize the position in the cycle
- Continue our business plan of being a pure real estate fund manager and co-investor
- Take advantage of growing our "Active Earnings" and reinvesting earnings excess back into business investment
- Grow EPS and DPS at above market growth rates without increasing the Group's risk profile

Dividends and distributions

The Company did not declare any dividends during the year or up to the date of this report (30 June 2013: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the year were as follows:

	30 June 2014 $'000	30 June 2013 $'000
2.50 cents per stapled security paid on 14 November 2012 (unfranked)	-	2,134
4.00 cents per stapled security paid on 13 March 2013 (unfranked)	-	3,414
1.00 cent per stapled security paid on 31 July 2013 (unfranked)	-	853
1.25 cents per stapled security paid on 24 October 2013 (unfranked)	3,096	-
1.25 cents per stapled security paid on 28 January 2014 (unfranked)	3,109	-
1.25 cents per stapled security paid on 24 April 2014 (unfranked)	3,109	-
1.25 cents per stapled security paid on 24 July 2014 (unfranked)	3,109	-
	12,423	6,401

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of 360 Capital Group that occurred during the year under review other than those listed above or elsewhere in the Directors' report.

Likely developments and expected results of operations
As highlighted in the Summary and Outlook section above, the Group continues to focus on rolling out its business plan as outlined at the time of the October 2013 capital raising to become a pure funds management and co-investor group. The Group remains well capitalised and will continue to maintain a "capital light" strategy, opting to grow earnings and distributions per Security in excess of its peers from this tight capital base.

Information on Directors and Key management Personnel

David van Aanholt - Independent Chairman
David van Aanholt has over 25 years of experience in the property and funds management industry. Prior to establishing his own property group in 2007, David was the Chief Executive Officer (Asia Pacific) of the ASX listed Goodman Group (previously known as Macquarie Goodman). In that role David was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. David worked for Goodman for more than a decade and before joining them he was a Fund Manager at Paladin Australia Limited (acquired by Deutsche Bank) and an Associate Director of CDH Properties (acquired by KPMG).

David holds a Bachelor of Business (Land Economy) and a Post Graduate Diploma in Management and a Masters in Business Administration. He is an Independent Director of the Kennards Self Storage Group and is a Fellow of the Australian Property Institute.

Tony Robert Pitt – Managing Director
Tony Pitt is a founding Director of 360 Capital and has worked in the property and property funds management industries for over 15 years.

As Managing Director, Tony is responsible for the performance of 360 Capital's various investments and funds, including the investment analysis, management, acquisitions and disposal and overall Group and investment strategy. Tony was responsible for repositioning of the 360 Capital Property Group since December 2010 through the disposal of in excess of $340 million in underlying Fund and Trust assets and the refinancing of approximately $0.5 billion in debt, prior to its acquisition by the Group in October 2013.

Tony was formerly the Director of JF Meridian Trust (JFM), an ASX listed diversified trust and was responsible for growing JFM from $530 million to $1.1 billion in assets over a three year period. He was previously an Executive Director of James Fielding Funds Management Limited, JF Meridian Management Limited, Hotel Capital Partners Limited, Bankminster Properties Limited and Travelodge Hotel Group. He also held positions at Paladin Australia Limited, Jones Lang LaSalle and Richard Ellis.

Apart from 360 Capital directorships, Tony is a director of Pentagon Property Group.

He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

William John Ballhausen - Non-Executive Independent Director
John Ballhausen is a financial services professional. He provides services to a number of organisations and is a Responsible Manager for several Australian Financial Services Licensees.

John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately $100 million in funds under management spread over four registered property schemes.

Before 2002 John held the position of Chief Investment Officer with HIH Insurance, with responsibility for more than $3 billion of funds across fixed interest, equities and property asset classes. John has a Bachelor of Commerce from the University of NSW and is a Fellow of the Financial Services Institute of Australasia.

Directors (continued)

Graham Ephraim Lenzner - Non-Executive Independent Director
Graham Lenzner has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the Board of a number of public and private companies. He is currently Chairman of Device Technologies Australia Pty Limited.

Andrew Graeme Moffat - Non-Executive Independent Director
Andrew Moffat has in excess of 20 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Limited. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services.

Andrew is also Chairman of Pacific Star Network Limited, Chairman of Keybridge Capital Limited, a Director of Rubik Financial Limited and a Director of CCK Financial Solutions Limited. His past public company directorships include itX Group Limited and Infomedia Limited.

Senior Management

Ben James - Chief Investment Officer
Ben James joined 360 Capital in 2010 and is responsible for all fund investment activities within the group. Ben has over 19 years' experience in Real Estate Funds Management and Investment across the office, retail, industrial, hotel and car park sectors. Prior to joining 360 Capital, Ben was the Trust Manager of Mirvac Property Trust, the $4.5 billion investment vehicle of the ASX listed Mirvac Group. He also held positions in property management and investment sales with Colliers International.

Ben holds a Bachelor of Commerce (Land Economy) and is a former Chair of the Property Council of Australia's NSW Capital Markets Committee. Ben is also a Director of 360 Capital Institutional Investment Management Limited and Pentagon Property Group.

Glenn Butterworth - Chief Financial Officer
Glenn Butterworth was appointed as the new 360 Capital Group Chief Financial Officer in December 2013. A key executive within the business, Glenn is responsible for all 360 Capital's financial management activities.

Glenn joined 360 Capital from Mirvac where he has spent the last 11 years, most recently as Financial Controller of the Mirvac's Investment Division for the last 7 years where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience. Prior to Mirvac Glenn held a number of senior finance roles including Financial Controller at McGrath Estate Agents.

Glenn is a Chartered Accountant and holds a Bachelor of Commerce, and commenced his career as an accountant at Deloitte.

Alan Raymond Sutton - Company Secretary
Alan Sutton is an accountant with more than 30 years in financial control and company secretarial practice, the last 12 years in property funds management. Prior to joining the 360 Capital, Alan was the Company Secretary for the Lachlan Property Group including Lachlan REIT Limited. He was Paladin Australia's Financial Controller – Corporate before its merger with Deutsche Asset Management in July 2000.

At Deutsche, he was responsible for all accounting and financial aspects of the Asset Management Property Group, as well as reorganising the property trust accounting team to take on the operations of Deutsche's various property trusts and mandates. Alan is responsible for the Group's corporate financial reporting and all company secretarial matters.

Alan is a FCPA, an Associate member of the Chartered Secretaries Australia, a member (FFin) of the Financial Services Institute of Australia (Finsia) and a registered tax agent

Directors meetings
The number of Board meetings and Directors' attendance at those meetings during the year are set out below:

	Board		Audit Committee		Nominations & Remuneration	
	Meetings attended	**Meetings held**	**Meetings attended**	**Meetings held**	**Meetings attended**	**Meetings held**
Director						
David van Aanholt	12	12	-	-	-	-
Tony Robert Pitt	9	12	-	-	1	1
William John Ballhausen*	8	8	2	-	-	-
Garry Sam Charny*	-	1	-	-	-	-
Graham Ephraim Lenzner	11	12	3	3	1	1
Andrew Graeme Moffat*	8	8	2	3	1	1

* Garry Charny resigned as director 21 August 2013. Andrew Moffat and William Ballhausen were appointed as directors on 2 October 2013. All directors were entitled to attend all meetings held, except for Garry Charny who was eligible to attend one directors' meeting, Andrew Moffat who was eligible to attend eight directors' meetings and William Ballhausen who was eligible to attend eight directors' meetings. All audit committee members were entitled to attend all meetings held, except for Andrew Moffat who was eligible to attend two audit committee meetings and William Ballhausen who was eligible to attend two audit committee meetings

Remuneration report

The Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the 360 Capital Group in accordance with the requirements of the *Corporations Act 2001* and its regulations ("the Act"). This information has been audited as required by section 308(3C) of the Act.

The 360 Capital Group Board is committed to clear and transparent disclosure of the remuneration structure and details of the value that Key Management Personnel ("KMP") derive from their remuneration arrangements.

The remuneration report is presented under the following sections:

a. Introduction
b. Remuneration governance
c. Executive remuneration arrangements
d. Executive remuneration outcomes
e. Executive contracts
f. Non-executive director remuneration arrangements
g. Additional disclosures relating to options and securities
h. Loans to key management personnel and their related parties
i. Other transactions and balances with key management personnel and their related parties

a. Introduction
The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

Remuneration report (continued)

(i) Non-executive directors ("NEDs")
David van Aanholt, Independent Chairman
William John Ballhausen, Independent Director - Appointed 2 October 2013
Graham Ephraim Lenzner, Independent Director
Andrew Graeme Moffat, Independent Director - Appointed 2 October 2013
Garry Charny, Director - Resigned 21 August 2013

(ii) Executive director
Tony Robert Pitt, Managing Director*

(iii) Other KMP
Ben James, Chief Investment Officer - Appointed 2 October 2013
Glenn Butterworth, Chief Financial Officer - Appointed 2 December 2013
Alan Sutton, Company Secretary - Appointed 2 October 2013
Peter Norris, Company Secretary - Redundant 20 December 2013

* Tony Pitt was a Non-executive director prior to his appointment as Managing Director of the Group on 2 October 2013.

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Remuneration report (continued)

b. Remuneration governance

Remuneration Committee
The Remuneration Committee is appointed by the Board and comprises the following directors:

Andrew Graeme Moffat (Chairman of the Committee)
Graham Ephraim Lenzner
Tony Robert Pitt

The Remuneration Committee has delegated decision making authority for some matters related to the remuneration arrangements for NEDs and executives, and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other executives and all awards made under the short term ("STI") and long-term incentive ("LTI") plans, following recommendations from the Remuneration Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to securityholder approval, and NED fee levels. The Remuneration Committee approves, having regard to the recommendations made by the Managing Director, the level of the Group STI pool.

The Remuneration Committee meets throughout the year. The Managing Director is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration Committee's role, responsibilities and membership can be viewed at www.360capital.com.au

Use of remuneration advisors
To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. Remuneration advisors are engaged by, and report directly to, the Committee. In selecting remuneration advisors, the Committee considers potential conflicts of interest and requires independence from the Group's key management personnel and other executives as part of their terms of engagement.

During the year, the Remuneration Committee approved the engagement of Ernst & Young ("EY") as remuneration advisor to provide advice regarding:

- The appropriate comparator groups for remuneration benchmarking
- The appropriate remuneration mix for the Managing Director
- The establishment of an employee equity incentive plan

Advice was provided to the Committee as an input into its decision making only. The Remuneration Committee considered the advice, along with other factors, in making its remuneration decisions.

The Committee recognises that to effectively perform its role, it is necessary for EY to interact with management to obtain relevant information and work on approved matters from time-to-time. To ensure EY remains independent, members of management are precluded from requesting services which would be considered a remuneration recommendation as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*.

No remuneration recommendation was provided by EY or any other external advisor during the 2014 financial year.

Remuneration report (continued)

Remuneration report approval at 2013 Annual General Meeting ("AGM")
The remuneration report for the year ended 30 June 2013 received positive securityholder support at the AGM with a vote of 99.8% in favour.

c. Executive remuneration arrangements

Remuneration principles and strategy
360 Capital Group's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives and securityholders.

Approach to setting remuneration
For the year ended 30 June 2014, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below. The Group aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Group and individual, and the broader economic environment.

The following summarises the Managing Directors' and other executives' remuneration mix.

Details of incentive plans
The Group operates an annual STI program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group performance measures. For the year ended 30 June 2014, Group performance measures focused on profitability. The Remuneration committee reviews Group performance measures included in the STI program annually.

Actual STI payments awarded to each executive depend on the extent to which specific targets set have been met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial measures of performance.

The Group performance measures chosen represent the key drivers for the short-term success of the Group and provide a framework for delivering long-term value. The performance measures (and their intended objectives) are as follows:

- Earnings per security: To align performance incentives to the key Group earnings performance measure.
- Total securityholder returns: To align performance incentives to returns to those of Group Securityholders.
- Implementation of key strategic initiatives: To ensure performance incentives are aimed at achieving the Groups strategy objectives.
- Risk management: To ensure performance measures encourage the maintenance of an effective risk management culture.

On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determines the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the Managing Director as appropriate.

Remuneration report (continued)

Long-term incentives
LTI awards to executives are made under the executive LTI plan and are delivered in the form of securities. The securities will vest over a period of three years subject to meeting performance measures, with limited opportunity to retest.

The Group uses relative Total Securityholder Return (TSR) as the performance measure for the LTI plan. The securities vest if the Group's TSR over a 3 year period achieves the following:

Absolute TSR Achieved (% pa)	**Proportion of Target Award Vesting**
15%	100%
>10% and <15%	Pro Rata Allocation
10%	50%
<10%	0%

TSR performance is monitored by an independent external adviser. The table on page 21 provides details of the number of securities granted, vested and lapsed during the year and the table on page 22 provides details of the value of securities granted, exercised and lapsed during the year.

Relative TSR was selected as the LTI performance measure for the following reasons:

- TSR ensures an alignment between comparative securityholder return and reward for executives
- The relative measure minimises the effects of market cycles

Termination and change of control provisions
Where a participant ceases employment prior to their award vesting due to resignation or termination for cause, awards will be forfeited. Where a participant ceases employment for any other reason, they may retain a number of unvested securities pro-rated to reflect the participant's period of service during the LTI grant performance period. These unvested securities only vest subject to meeting the relevant LTI performance measures.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate Board discretion.

d. Executive remuneration outcomes for 2014 (including link to performance)

Group performance and its link to short-term incentives
The financial performance measures driving STI payment outcomes are earnings per security ("EPS") of the Group and total securityholder returns. FY14 EPS was to 6.40cps up 24.0% on the prior year and FY14 operating profit was $12.2 million up 177.3% on FY13. The Group's 30 June 2014 trading price was $0.785 per Security up from $0.485 as at 30 June 2013, an increase of 61.9% or 33.1% increase on the $0.59 per security issue price in the $70.8 million capital raising completed in October 2013. Including the 5.00 cents per security in distributions, total security holder returns 72.2% based on the 30 June 2013 security price and 41.5% based on the capital raising security price.

Vesting outcomes
STI payments made or owing to executives for the year were $135,000. No LTI securities vested to executives during the year.

Remuneration report (continued)

		Short-term benefits			Post-employment benefits	Security based benefits	Other			
	Year	Salary & fees $	Short-term incentive $	Non monetary benefits[8] $	Super-annuation $	Securities under ESP[7] $	Long service leave $	Termination benefits $	Total $	Performance related %
Executive Director										
Tony Pitt[1] - Managing Director	2014	455,419	60,000	15,090	15,065	149,700	-	-	695,274	30.16%
	2013	75,000	-	-	6,750	-	-	-	81,750	-
KMP										
Ben James[2] - Chief Investment Officer	2014	286,488	40,000	-	13,331	149,700	-	-	489,519	38.75%
	2013	-	-	-	-	-	-	-	-	-
Glenn Butterworth[3] - Chief Financial Officer	2014	146,195	20,000	-	10,369	43,663	-	-	220,227	28.91%
	2013	-	-	-	-	-	-	-	-	-
Alan Sutton[4] - Company Secretary	2014	125,540	15,000	-	11,640	25,449	-	-	177,629	22.77%
	2013	-	-	-	-	-	-	-	-	-
Braith Williams[5]	2014	-	-	-	-	-	-	-	-	-
	2013	361,988	-	10,683	12,353	-	5,279	112,500	502,803	-
Peter Norris[6]	2014	139,010	-	-	8,888	-	1,907	21,250	171,055	-
	2013	238,530	-	3,592	16,470	-	3,814	21,250	283,656	-
Total	2014	1,152,652	135,000	15,090	59,293	368,512	1,907	21,250	1,753,704	28.71%
	2013	675,518	-	14,275	35,573	-	9,093	133,750	868,209	-

1. Tony Pitt was a Non-Executive Director prior to his appointment as Managing Director on 2 October 2013.

2. Ben James commenced employment with the Group on 2 October 2013.

3. Glenn Butterworth commenced employment with the Group on 2 December 2013.

4. Alan Sutton commenced employment with the Group on 2 October 2013.

5. Braith Williams was made redundant in March 2013.

6. Peter Norris was made redundant in December 2013.

7. Securities were granted to employees under the 360 Capital Group Employee Security Plan on 2 October 2013. The securities are subject to a 3 year Total Securityholder Return hurdle. The fair value of the grants was determined by an independent actuary and has been proportionally disclosed in the remuneration report to reflect the 3 year vesting period. Further information on 360 Capital Group Employee Security Plan is provided in Note 29 (c).

8. Car parking including associated Fringe Benefits Tax.

Remuneration report (continued)

e. Executive contracts
Remuneration arrangements for KMP are formalised in employment agreements. The following outlines the details of contracts with key management personnel:

Managing Director
The Group has entered into an employment agreement with Mr Tony Pitt ("Employment Agreement"). Under the Employment Agreement, Mr Pitt is employed as Managing Director. Mr Pitt will be paid annual remuneration of $600,000 (inclusive of statutory superannuation) and was eligible to participate in the Employee Security Plan. Mr Pitt was issued 6,000,000 securities pursuant to the Employee Security Plan.

The Employment Agreement does not have a set term and will continue until it is validly terminated in accordance with its terms. The Employment Contract contains termination provisions pursuant to which the Group must give 12 months' notice of termination (or shorter in a number of circumstances including in the event of serious misconduct, material breach, a serious criminal offence or bankruptcy).

Mr Pitt must provide six months' notice of termination or, in circumstances of a change of control or where there is a material change in the role, responsibilities or other circumstances of Mr Pitt's employment (Change of Circumstance), one months' notice. The Group may make payment in lieu of service during any termination period. Mr Pitt is entitled to all unpaid remuneration and entitlements up to the date of termination. In addition, in the event of termination for a Change of Circumstance, Mr Pitt is entitled to a payment equal to 12 months' base salary. There are no restraint provisions in the Employment Agreement.

Other KMP
All other KMP have rolling contracts. KMP termination provisions for the Chief Investment Officer & Company Secretary are as follows:

- Term of agreement: Open-ended
- Termination notice – Group: 12 months
- Termination notice – Employee: 6 months

KMP termination provisions for the Chief Financial Officer are as follows:

- Term of agreement: Open-ended
- Termination notice – Group: 6 months
- Termination notice – Employee: 3 months

Payments applicable to outgoing executives
The following arrangements applied to outgoing executives in office during the 2014 financial year:

- Peter Norris received a redundancy payment of $127,500 upon termination of his employment contract in December 2013 of which $21,250 has been reported in the 2014 remuneration report, and the balance in prior years based on the retention provisions of his employment contract.

f. Non-executive director remuneration arrangements

Remuneration policy
The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to securityholders.

Remuneration report (continued)

The amount of aggregate remuneration sought to be approved by securityholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external consultants when undertaking the annual review process when required.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2005 AGM when securityholders approved an aggregate fee pool of $750,000 per year. The Board will not seek any increase for the NED pool at the 2014 AGM.

Structure

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. The Chairman of the Board attends all committee meetings but does not receive any additional fees in addition to Board fees. The table below summarises the NED fees for FY2014:

Board fees	$	Committee fees	$
Chairman	130,000	Committee chair	10,000
Directors	75,000	Committee member	-

In addition the NEDs receive superannuation contributions at the Superannuation Guarantee Levy rate.

The remuneration of NEDs for the year ended 30 June 2014 is detailed below:

		Short-term benefits	Post-employment benefits	Security based benefits		
	Year	Salary & Fees	Superannuation	Securities under ESP[6]	Total	Performance related
		$	$	$	$	%
NED						
David van Aanholt[1]	2014	171,250	15,841	2,495	189,586	1.32%
	2013	27,070	2,436	-	29,506	-
William Ballhausen[2]	2014	66,250	5,203	2,495	73,948	3.37%
	2013	-	-	-	-	-
Graham Lenzner	2014	82,500	7,631	2,495	92,626	2.69%
	2013	10,887	980	-	11,867	-
Andrew Moffat[3]	2014	63,750	5,897	2,495	72,142	3.46%
	2013	-	-	-	-	-
Garry Charny[4]	2014	10,483	970	-	11,453	-
	2013	75,000	6,750	-	81,750	-
John Green[5]	2014	-	-	-	-	-
	2013	69,019	6,212	-	75,231	-
Total	2014	394,233	35,542	9,980	439,755	2.27%
	2013	181,976	16,378	-	198,354	-

1. Salary & fees includes a one-off payment of $54,625 for services provided in relation to the acquisition of 360 Capital Property Group (refer to Note 32).
2. Appointed as Director on 2 October 2013. Salary & fees includes a one-off payment of $10,000 for services provided in relation to 360 Capital Office Fund Restructure.
3. Appointed as Director on 2 October 2013.
4. Resigned as Director on 21 August 2013.
5. Resigned as Director on 19 March 2013.
6. Securities were granted to employees under the 360 Capital Group Employee Security Plan on 2 October 2013. The securities are subject to a 3 year Total Securityholder Return hurdle. The fair value of the grants was determined by an independent actuary and has been proportionally disclosed in the remuneration report to reflect the 3 year vesting period. Further information on 360 Capital Group Employee Security Plan is provided in Note 29 (c).

Remuneration report (continued)

g. Additional disclosures relating to options and securities

Securities awarded, vested and lapsed during the year
The table below discloses the number of securities granted to KMP and NEDs as remuneration during FY2014 as well as the number of securities that vested or lapsed during the year.

KMP	Year	Securities awarded during the year No.	Award date	Fair value per security at award date $	Vesting date	Exercise price $	Expiry date	No. vested during year	No. lapsed during year
Tony Pitt	2014	6,000,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
Ben James	2014	6,000,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
Glenn Butterworth	2014	1,750,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
Alan Sutton	2014	1,020,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
NEDs									
David van Aanholt	2014	100,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
William Ballhausen	2014	100,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
Graham Lenzner	2014	100,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-
Andrew Moffat	2014	100,000	2/10/2013	0.0998	1/10/2016	0.5900	1/10/2016	-	-
	2013	-	-	-	-	-	-	-	-

Remuneration report (continued)

g. Additional disclosures relating to options and securities

Value of 360 Capital Group securities awarded, exercised and lapsed during the year

KMP	Value of securities granted during the year $	Value of securities vested during the year $	Value of securities lapsed during the year $	Remuneration consisting of securities for the year %
Tony Pitt	598,800	-	-	-
Ben James	598,800	-	-	-
Glenn Butterworth	174,650	-	-	-
Alan Sutton	101,796	-	-	-
NEDs				
David van Aanholt	9,980	-	-	-
William Ballhausen	9,980	-	-	-
Graham Lenzner	9,980	-	-	-
Andrew Moffat	9,980	-	-	-

For details on the valuation of securities, including models and assumptions used, please refer to Note 29. There were no alterations to the terms and conditions of securities awarded as remuneration since their award date.

Securities held in 360 Capital Group by key management personnel

KMP	Held at 1 July 2013	Granted as remuneration	Acquisitions	Held at 30 June 2014
Tony Pitt	24,039,565	6,000,000	21,958,937	51,998,502
Ben James	-	6,000,000	-	6,000,000
Glenn Butterworth	-	1,750,000	-	1,750,000
Alan Sutton	-	1,020,000	-	1,020,000
Total	24,039,565	14,770,000	21,958,937	60,768,502

Securities held in 360 Capital Group by directors

NEDs	Held at 1 July 2013	Granted as remuneration	Acquisitions	Held at 30 June 2014
David van Aanholt	-	100,000	149,000	249,000
William Ballhausen	-	100,000	300,000	400,000
Graham Lenzner	-	100,000	140,000	240,000
Andrew Moffat	-	100,000	400,000	500,000
Total	-	400,000	989,000	1,389,000

The table above includes securities held directly, indirectly and beneficially by KMP and NEDs. All equity transactions with KMP and NEDs other than those arising from the Employee Security Plan have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Remuneration report (continued)

h. Loans to key management personnel and their related parties
The following loans have been provided to KMP through their participation in the Group employee security plan:

KMP	Balance at start of ESP grant $	Interest charged in the year $	Payments made during the year $	Balance at end of the year $	Highest indebtness during the year $
Tony Pitt	3,540,000	300,000	(300,000)	3,540,000	3,540,000
Ben James	3,540,000	300,000	(300,000)	3,540,000	3,540,000
Glenn Butterworth	1,032,500	87,500	(87,500)	1,032,500	1,032,500
Alan Sutton	601,800	51,000	(51,000)	601,800	601,800
	8,714,300	738,500	(738,500)	8,714,300	8,714,300

The loan provided on the grant date was equivalent to the face value of the securities. All loans were granted on 2 October 2013. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities.

For further information on these loans refer to Note 29.

There were no other loans to key management personnel and their related parties during the year.

i. Other transactions and balances with key management personnel and their related parties

Acquisition of 360 Capital Property Group
On 2 October 2013, the Group acquired 100% of 360 Capital Property Group through a scrip-for-scrip offer to 360 Capital Property Group Securityholders (with a cash election). 360 Capital Property Group was a diversified real estate investment and funds management business.

At the time of the acquisition, Mr Tony Robert Pitt was a substantial Securityholder and Non-Executive Director of the Group, and owned (through TT Investments Pty Limited) 21.1% of 360 Capital Property Group.

The acquisition was approved by Securityholders at an extraordinary general meeting held on 24 September 2013 following Independent Expert, Lonergan Edwards & Associates Limited, concluding that the acquisition was fair and reasonable for the Group's non-associated Securityholders. The Independent Committee of Directors (David van Aanholt & Graham Lenzner) established to oversee the due diligence and to consider the acquisition also recommended Securityholders vote in favour of the acquisition.

Refer to Note 32 for further information.

There were no other transactions or balances with key management personnel and their related parties during the year.

Events subsequent to balance date
No other circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental Issues
The Group complied with all environmental regulations during the course of the financial year.

Options
No options over issued shares or interests in the Group 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 Group hold no options over interests in the Group.

Indemnification and insurance of Officers and Auditors
During or since the end of the financial year, the Group has paid insurance premiums to insure each of the aforementioned Directors as well as Officers of the Group 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 Group, other than conduct involving a willful breach of duty in relation to the Group. The Group has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer of the Group.

To the extent permitted by law, the Group 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

The auditor of the Group changed to Ernst & Young ("EY") from KPMG on 31 October 2013. Disclosed in Note 11 were the non-audit services provided by the Group'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 25 and forms part of the Directors' report for the year ended 30 June 2014.

Rounding of amounts
360 Capital Group is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Class Order, amounts in the annual financial report and Directors' 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

Graham Ephraim Lenzner
Director

Sydney
27 August 2014

Building a better
working world

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Auditor's Independence Declaration to the Directors of 360 Capital Group Limited

In relation to our audit of the financial report of 360 Capital Group Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
27 August 2014

360 Capital Group
Corporate governance statement
For the year ended 30 June 2014

360 Capital Group ("360 Capital") is a Stapled Group consisting of 360 Capital Group Limited ("CGL") and 360 Capital Investment Trust ("CIT"). 360 Capital Investment Management Limited (CIML) is the Responsible Entity of CIT and also a wholly-owned subsidiary of 360 Capital. Both CGL and CIML have identical Boards of Directors and hereafter the term Board should read as referring to these Boards.

The Board recognises the importance of strong corporate governance and is committed to high standards of compliance. This is achieved through the Board determining appropriate governance arrangements and continually monitoring those arrangements.

To the extent they are applicable and appropriate for a company of 360 Capital's size and nature, the Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edn).

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which 360 Capital has sought to comply with the recommendations for each.

Principle 1: Lay solid foundations for management and oversight
The Principle requires the Group to establish and disclose the respective roles and responsibilities of both the Board and management.

ASX recommendation/ disclosure obligation	360 Capital response
1.1 Establish functions reserved to Board and those delegated to senior executives	The business of 360 Capital is managed under the direction of the Board of Directors (Board) of the 360 Capital comprising Mr David van Aanholt (Chair), Mr Andrew Moffat, Mr Graham Lenzner, Mr John Ballhausen and Mr Tony Pitt. The conduct of the Board is governed by the Constitution of 360 Capital and the Corporations Act. The Board meets on a regular basis and is required to discuss pertinent business developments and issues and review the operations and performance of 360 Capital. Provision is made at each regular meeting of the Board for the consideration of critical compliance and risk management issues as they arise. The Board has delegated responsibility for the day-to-day management of 360 Capital to the Managing Director and Responsible Managers as stated under the Responsible Entity's Australian Financial Services license. 360 Capital operates with a flat management structure with the Managing Director delegating a number of the functions, activities and duties required to be performed by the company to managers and external service providers.
1.2 Process for evaluating performance of senior executives	The assessments of executive performance are based on reports received from the Managing Director and the consideration of issues by Directors at Board meetings. The Board oversees the performance evaluation of the management team. This is based on the business performance of 360 Capital, whether strategic objectives are being achieved and the development of management and personnel. Performance is formally reviewed annually by the Managing Director.
1.3 Further information as indicated in the Guide to reporting on Principle 1	A copy of the Board Charter is available at www.360capital.com.au

Principle 2: Structure the Board to add value

The Principle requires 360 Capital to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties. It is the objective that the Board comprises directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to supervise the operations of 360 Capital with excellence.

ASX recommendation/ disclosure obligation	360 Capital response
2.1 Majority of Board should be independent Directors	The current Board comprises five Directors, four of whom are independent.
2.2 Chair should be an independent Director	Mr van Aanholt has been Chairman of the Board since 19 March 2013 and is an independent Director.
2.3 Roles of Chair and Managing Director should not be exercised by same individual	The roles of Chairman of the Board and Managing Director are not held by the same individual. Mr Pitt has held the role of Managing Director of 360 Capital since 2 October 2013.
2.4 Establish a Nomination Committee	The Board has established a nomination committee, comprising of two Non-Executive, Independent Directors as well as one Executive Director. The Committee assists the Board of 360 Capital in its responsibility to oversee the nomination and remuneration of directors and senior executives within 360 Capital.
2.5 Process for performance evaluation of Board, its committees and individual directors	The Board reviews its performance and that of its committees on average once every two years. Performance is reviewed against the Board Charter, any other Board responsibilities.
2.6 Further information as indicated in the Guide to reporting on Principle 2	Details of each Director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors Report. In determining the independence of Directors, the Board has adopted the criteria set out in section 601JA(2) of the Corporations Act. In relation to the Non-Executive Directors, there are no relationships which prejudice director independence. A copy of the Board Charter is available on the website.

Principle 3: Promote ethical and responsible decision-making

The Principle requires that the Funds' Board should actively promote ethical and responsible decision-making.

ASX recommendation/ disclosure obligation	360 Capital response
3.1 Establish a Code of Conduct	The Group has adopted a Code of Conduct that sets out the minimum acceptable standards of behaviour. Directors are required to act with honesty, decency and integrity at all times. Securities dealings by Directors are subject to the restrictions of 360 Capital and the Responsible Entity's Personal Dealing — Share Trading Policy. All dealings in Funds and in 360 Capital Group securities are recorded in a Register of Directors' Interests.
3.2 Establish a Diversity Policy	A Diversity Policy has been adopted by the Board.
Principle 3: Promote ethical and responsible decision-making (continued)	

ASX recommendation/ disclosure obligation	360 Capital response
3.3 Disclose measurable objectives for achieving gender diversity and progress towards achieving them	Merit is the primary basis for employment within 360 Capital and all employees and applicants for employment are treated and evaluated according to their job-related skills, qualifications, abilities and aptitudes to ensure that 360 Capital has an appropriate mix of staff and talent to conduct its business and achieve its goals. As outlined in the Diversity Policy, the Company's guiding principles prohibit decisions based on characteristics such as gender, age, race, religion, marital status, sexual preference or political belief.
3.4 Disclose proportion of women employed in organisation, women in senior executive positions and women on the Board	17% of employees are women, with one holding the position of Company Secretary of the Responsible Entities. There are no women on the Board.
3.5 Further information as indicated in the Guide to reporting on Principle 3	The Code of Conduct, Personal Dealing – Share Trading Policy and the Diversity Policy are available on the website at www.360capital.com.au.

Principle 4: Safeguard integrity in financial reporting
This Principle requires that 360 Capital has a structure in place to independently verify and safeguard the integrity of its financial reporting.

ASX recommendation/ disclosure obligation	360 Capital response
4.1 Establish an Audit Committee	Financial reports are prepared by the Chief Financial Officer in collaboration with senior management and the Managing Director. The Board has established an Audit Committee.
4.2 Audit Committee Structure	The Audit Committee comprises three Non-Executive, Independent Directors. The chairperson is appointed by the Board and must be a Non-Executive Director who is not the chairperson of the Board of the Responsible Entity. The chairperson reports the activities of the Audit Committee to the Board after each Committee meeting.
4.3 Formal Charter for Audit Committee	The Board has adopted an Audit Charter which sets out the Audit Committee's role and responsibilities. The Audit Committee will meet with external auditors at least annually (and more frequently if required) to review the adequacy of existing external audit arrangements and the scope of the audit.
4.4 Further information as indicated in the Guide to reporting on Principle 4	The names and qualifications of the Audit Committee members are set out on the Group's website. The Audit Committee reviews the performance and independence of the external auditor, and makes recommendations to the Board on the appointment, reappointment, replacement, and remuneration of external auditors. The external auditor is required to rotate the partner responsible for the 360 Capital audit and review at least once every 5 years. The Audit Committee Charter is available on the website at www.360capital.com.au

Principle 5: Make timely and balanced disclosure
The Principle requires 360 Capital to promote timely and balanced disclosure of all material aspects concerning 360 Capital.

ASX recommendation/ disclosure obligation	360 Capital response
5.1 Continuous Disclosure Policy	ASX continuous disclosure requirements are included in the Communications Policy. The policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of 360 Capital securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules.
5.2 Availability of information	The Communications Policy is available on the website at www.360capital.com.au

Principle 6: Respect the rights of Members
The Principle requires 360 Capital to respect the rights of Members and facilitate the exercise of those rights.

ASX recommendation/ disclosure obligation	360 Capital response
6.1 Communications Policy	A Communications Policy has been adopted by the Board reflecting its objective to ensure that Funds and 360 Capital announcements are factual and presented in a clear and balanced way, and that investors have equal and timely access to material information concerning 360 Capital, the Funds, the Responsible Entity and their investments. The delivery of financial services disclosures and relevant communications are facilitated through electronic means such as email, hyperlinks, reference to the 360 Capital website and other emerging technologies.
6.2 Further information as indicated in the Guide to reporting on Principle 6	All security holders are encouraged to attend and/or participate in 360 Capital's AGM. Security holders can attend in person or send a proxy as their representative. Unless unavailable, all directors and senior management attend the meeting, along with the external auditor. A copy of the Communications Policy is available on the website at www.360capital.com.au

Principle 7: Recognise and manage risk
This Principle requires the 360 Capital to establish a sound system of risk oversight and management and internal control.

ASX recommendation / disclosure obligation	360 Capital response
7.1 Establish policies for the oversight and management of material business risks	The Board has adopted a Risk Management Statement which outlines the key material risks faced by 360 Capital and documents the framework and process for identifying, monitoring and mitigating risks.
7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board	Risk management is a continuous process with the Managing Director and members of 360 Capital management team constantly interacting with staff which provides a foundation for monitoring issues on a day-to-day basis. Material business risks are documented in a risk register which is updated as necessary during management team meetings for any significant new risks or developments on existing risks. While risk identification, assessment and response decisions are made at regular management team meetings, ultimate responsibility for risk oversight and risk management rests with the Board. Managers report to the Board through their quarterly compliance returns on new risks identified for their area of responsibility which have been considered by the management team and the Board is briefed as necessary (but at least annually) on the status of the risk management system.
7.3 Assurance from Chief Executive Officer and Chief Financial Officer	The Board receives confirmation from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4 Further information as indicated in the Guide to reporting on Principle 7	A copy of the Risk Management Statement is available on this website at www.360capital.com.au

Principle 8: Remunerate fairly and responsibly
This Principle requires that the Fund ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

ASX recommendation / disclosure obligation	360 Capital response
8.1 Establish a Remuneration Committee	The Board has established a Remuneration Committee.
8.2 Structure of Remuneration Committee	The Remuneration Committee comprises two Non-Executive, Independent Directors as well as one Executive Director. The Committee assists the Board of 360 Capital in its responsibility to oversee the nomination and remuneration of directors and senior executives within 360 Capital.

Principle 8: Remunerate fairly and responsibly (continued)

ASX recommendation / disclosure obligation	360 Capital response
8.3 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives	Remuneration of Directors and senior executives is a matter for the full Board of 360 Capital. Directors, senior executives and employees of the 360 Capital are paid by 360 Capital Financial Services Pty Limited, a wholly-owned subsidiary of 360 Capital. Directors and employees are not provided with any remuneration by any of the Funds themselves and do not receive equity in any of the Funds as a form of remuneration. Accordingly, it is considered unnecessary to have a policy which prohibits transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes. A distinction is made between the structure of Non-Executive Directors' remuneration from that of executive directors and senior executives. Non-Executive Directors are remunerated by way of fees in the form of cash and superannuation contributions. Fees may include payment for specific services provided for the Responsible Entity or the Fund (such as membership of the Due Diligence Committee) and are fixed by the Board of the Responsible Entity. Executive Directors and senior executives' packages are fixed and performance-based. Neither Directors nor senior executives are entitled to equity interests in any Fund or any rights to or options for equity interests in any Fund as a result of remuneration provided by the Responsible Entity. The Responsible Entity does not pay retirement benefits, other than superannuation, for its Non-Executive Directors. Remuneration of the Responsible Entity is included in the Fund's Constitution. The Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and property incurred in relation to the Fund or in performing its obligations under the Constitution and property acquisition and disposal fees.
8.4 Further information as indicated in the Guide to reporting on Principle 8	A copy of 360 Capital's Constitution is available on request.

Contents	**Page**

360 Capital Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Revenue from continuing operations			
Rental from investment properties	4	21,018	9,779
Funds management fees	4	6,359	-
Distributions from property funds	4	3,821	-
Finance revenue	4	3,454	318
Total revenue from continuing operations		34,652	10,097
Other income			
Gain on bargain purchase of 360 Capital Property Group	32	9,321	-
Net gain/(loss) on fair value of financial assets	5	8,087	(1,055)
Reversal of impairment of investments accounted for using the equity method	19	600	778
Other income	6	1,815	41
Total other income		19,823	(236)
Total revenue from continuing operations and other income		54,475	9,861
Investment property expenses	7	5,339	2,072
Employee benefit expenses	8	4,247	1,185
Administration expenses		2,735	1,059
Depreciation expenses	22	16	29
Finance expenses	9	4,370	1,660
Business combination transaction expenses	32	791	-
Net loss on sale of investment properties		119	20
Net loss on fair value of investment properties	17,20	5,267	10,156
Net loss on fair value of derivative financial instruments		591	-
Profit/(loss) from continuing operations before income tax		31,000	(6,320)
Income tax expense	10	2,899	-
Profit/(loss) for the year		28,101	(6,320)

360 Capital Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Profit/(loss) for the year		28,101	(6,320)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		28,101	(6,320)
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		14,507	(1,613)
Unitholders of 360 Capital Investment Trust		8,466	(4,707)
Profit/(loss) after tax attributable to the stapled securityholders		22,973	(6,320)
External non-controlling interests		5,128	-
Profit/(loss) for the year		28,101	(6,320)

Earnings per stapled security for profit/(loss) after tax attributable to the stapled securityholders of 360 Capital Group		**Cents**	**Cents**
Basic earnings per security	12	12.05	(7.40)
Diluted earnings per security	12	11.10	(7.40)

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

360 Capital Group
Consolidated statement of financial position
As at 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	14	16,881	7,516
Receivables	15	3,247	209
Financial assets at fair value through profit or loss	16	3,364	-
Assets held for sale	17	4,300	9,583
Other current assets	18	635	663
Total current assets		28,427	17,971
Non-current assets			
Receivables	15	956	-
Financial assets at fair value through profit or loss	16	89,461	-
Investments accounted for using the equity method	19	1,400	800
Investment properties	20	203,000	44,000
Intangible assets	21	5,000	-
Property, plant and equipment	22	33	17
Deferred tax assets	23	592	-
Total non-current assets		300,442	44,817
Total assets		328,869	62,788
Current liabilities			
Trade and other payables	24	3,369	649
Borrowings	25	15,257	10,237
Derivative financial instruments	26	14	-
Provisions	27	3,545	1,207
Other current liabilities	28	2,013	833
Total current liabilities		24,198	12,926
Non-current liabilities			
Borrowings	25	87,115	-
Derivative financial instruments	26	358	-
Deferred tax liabilities	23	325	-
Provisions	27	20	-
Total non-current liabilities		87,818	-
Total liabilities		112,016	12,926
Net assets		216,853	49,862

360 Capital Group
Consolidated statement of financial position
As at 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Equity			
Issued capital - ordinary shares	29	7,386	(3,092)
Issued capital - trust units	29	167,815	97,688
Security based payments reserve	29	1,604	-
Accumulated losses		(34,184)	(44,734)
Total equity attributable to stapled Securityholders		142,621	49,862
External non-controlling interest		74,232	-
Total equity		216,853	49,862

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

360 Capital Group
Consolidated statement of changes in equity
For the year ended 30 June 2014

	Note	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Accumulated losses $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2013		(3,092)	97,688	-	(44,734)	49,862	-	49,862
Total comprehensive income for the year		-	-	-	22,973	22,973	5,128	28,101
Recognition of external non-controlling interest	32	-	-	-	-	-	74,473	74,473
Acquisition of external non-controlling interest	35	-	-	-	-	-	(1,135)	(1,135)
Transactions with Securityholders in their capacity as Securityholders								
Issued shares/units - Institutional equity raising	29	9,204	61,596	-	-	70,800	-	70,800
Issued shares/units - Scrip-for-scrip	29	1,834	12,277	-	-	14,111	-	14,111
Issued shares/units - Employee securities plan	29	-	-	518	-	518	-	518
Issued shares/units - Redeemed		-	-	-	-	-	(8)	(8)
Equity raising transaction costs	29	(560)	(3,746)	-	-	(4,306)	-	(4,306)
Dividends/distributions	3	-	-	1,086	(12,423)	(11,337)	(4,226)	(15,563)
		10,478	70,127	1,604	(12,423)	69,786	(4,234)	65,552
Balance at 30 June 14		7,386	167,815	1,604	(34,184)	142,621	74,232	216,853

	Note	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Accumulated losses $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2012		(3,092)	104,089	-	(38,414)	62,583	-	62,583
Total comprehensive income for the year		-	-	-	(6,320)	(6,320)	-	(6,320)
Transactions with Securityholders in their capacity as Securityholders								
Dividends/distributions	3	-	(6,401)	-	-	(6,401)	-	(6,401)
Balance at 30 June 2013		(3,092)	97,688	-	(44,734)	49,862	-	49,862

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

360 Capital Group
Consolidated statement of cash flows
For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Cash flows from operating activities			
Cash receipts from customers		31,700	11,437
Cash payments to suppliers and employees		(15,624)	(5,460)
Dividends and distributions received		3,112	-
Finance revenue		3,520	294
Finance expenses		(4,439)	(1,540)
Income tax refunds		93	-
Net cash inflows from operating activities	31	**18,362**	**4,731**
Cash flows from investing activities			
Payments for investment properties		(4,475)	-
Proceeds from disposal of investment properties		4,726	14,717
Payments for property, plant and equipment		(7)	(5)
Payments for financial assets		(42,234)	-
Proceeds from disposal of financial assets		6,008	-
Payments for other financial assets		(22,630)	(176)
Proceeds from disposal of other financial assets		27,448	2,815
Payments for subsidiaries - net of cash acquired	32	(23,168)	-
Payments for external non-controlling interest		(1,135)	
Payment of transaction costs to acquire subsidiaries		(791)	-
Capital distributions from equity accounted investments		-	2,569
Net cash inflows/(outflows) from investing activities		**(56,258)**	**19,920**
Cash flows from financing activities			
Proceeds from borrowings		29,598	-
Repayment of borrowings		(29,467)	(22,301)
Proceeds from issue of capital		70,800	-
Payment of transaction costs to issue capital		(4,306)	-
Distributions paid to stapled securityholders		(9,356)	(5,548)
Distributions paid to external non-controlling interests		(4,160)	-
Redemption of units from external non-controlling interests		(8)	-
Capital return to external non-controlling interests		(5,840)	-
Net cash inflows/(outflows) from financing activities		**47,261**	**(27,849)**
Net increase/(decrease) in cash and cash equivalents		9,365	(3,198)
Cash and cash equivalents at the beginning of the year		7,516	10,714
Cash and cash equivalents at the end of the year	14	**16,881**	**7,516**

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

Note 1: Statement of significant accounting policies

a) Reporting entity

The financial report of 360 Capital Group comprises the consolidated financial statements of 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities. A 360 Capital Group stapled security comprises one 360 Capital Group Limited share stapled to one 360 Capital Investment Trust unit to create a single listed entity traded on the ASX. The stapled security cannot be traded or dealt with separately.

360 Capital Group Limited is a company limited by shares, established and domiciled in Australia. 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 Group are disclosed in the Directors' report.

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

b) Statement of compliance

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

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

c) Basis of preparation

Basis of preparation
360 Capital Group Limited and its subsidiaries are for-profit entities for the purpose of preparing the financial report.

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

The financial report is presented in Australian dollars.

The Company is an entity of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Changes in accounting policy
As a result of new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2013, the Group has changed some of its accounting policies. The affected policies and standards that are applicable to the Group are:

- AASB 10 *Consolidated Financial Statements*
- AASB 12 *Disclosure of Interests In Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- Improvements to AASB's 2009-2011 cycle

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

c) Basis of preparation (continued)

i) Consolidated Financial Statements
AASB 10 establishes a single control model that applies to all entities including special purpose entities. AASB 10 replaces the parts of previously existing AASB 127 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and UIG-12 *Consolidation - Special Purpose Entities*.

AASB 10 changes the definition of control such that an investor controls an investee when it 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.

To meet the definition of control under AASB 10, all three criteria must be met, including:

1) An investor has power over an investee;
2) The investor has exposure, or rights, to variable returns from its involvement with the investee; and
3) The investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Prior to the acquisition of 360 Capital Property Group, AASB 10 had no impact on the Group. Following the acquisition of 360 Capital Property Group, the Group has reviewed its investments in other entities to determine which require consolidation under AASB 10. The following entities have been consolidated into the Group financial report:

- 360 Capital Diversified Property Fund
- 360 Capital 111 St George's Terrace Property Trust
- 360 Capital 441 Murray Street Property Trust

The application of AASB 10 results in all assets and liabilities held, income derived and expenses incurred by the entities detailed above (which under AASB 10 are deemed to be controlled by the Group) being included in the statement of financial position and the statement of profit or loss. Notwithstanding the presentation in the statement of financial position, the Group securityholders have no direct exposure to liabilities nor do they have any rights over the specific assets of these funds and there is no impact on the net assets of the Group.

The change in accounting policy does not impact comparative financial information of the Group as the changes are in effect for the entire period from acquisition.

Refer to Note 35 for further information on consolidated entities.

ii) AASB 12 *Disclosure of Interests in Other Entities*
AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The adoption of this standard has not had a significant impact on the amounts recognised or disclosures made in the financial report.

iii) AASB 13 *Fair Value Measurement*
AASB 13 establishes a single source of guidance under AAS for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AAS when fair value is required or permitted. The application of AASB 13 has not materially impacted the fair value measurements carried out by the Group. AASB 13 also requires specific disclosures on fair values. The Group provides these disclosures in Note 30.

iv) AASB 119 *Employee Benefits*
AASB 119 includes a number of amendments to the accounting for defined benefit plans and employee benefits including new disclosures. The transition to AASB 119 has had no material impact on the Group.

c) Basis of preparation (continued)

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

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

Judgements made by management in the application of Australian Accounting Standards 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 1 (w).

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

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

The consolidated entity 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 37.

d) Basis of consolidation

Stapling
On 20 July 2005, Trafalgar Corporate Group was formed by stapling together the shares of the 360 Capital Group Limited (formerly Trafalgar Corporate Group Limited) and the units of 360 Capital Investment Trust (formerly Trafalgar Platinum Fund No.12) and Trafalgar Opportunity Fund No.4. Following approval at a Securityholder meeting held on 24 September 2013, the Group was destapled and 360 Capital Investment Trust acquired 100% of the issued units in Trafalgar Opportunity Fund No.4.

On 2 October 2013, each ordinary share in 360 Capital Group Limited was stapled to a unit in the 360 Capital Investment Trust and together they form the Stapled Entity known as 360 Capital Group. Equity holders of the Group are entitled to an equal interest in each stapled entity.

In accordance with the principles contained in AASB 3 *Business Combinations*, the Group has determined that the Company is the parent entity in the stapling arrangement.

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

d) Basis of consolidation (continued)

The Constitutions of the Trust and the Company ensure that, for so long as these entities remain jointly listed, the number of units in the Trust and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interest of 360 Capital Group.

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

Business combination
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 Group 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 Group 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.

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. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss.

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and Trust as at 30 June 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are entities controlled by the Company and Trust. 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.

Intercompany transactions, balances and unrealised gains on transactions between Group 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 Group.

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

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

d) Basis of consolidation (continued)

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

e) Segment reporting

Segment information is presented in respect of the Group'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 Group'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 Group.

f) 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:

<u>Rental from investment properties</u>
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.

<u>Funds management fees</u>
Management, custodian and deferred exit fee revenue is recognised in accordance with the entitlement to fees for the management service provided.

<u>Distributions from property funds</u>
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.

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

<u>Other income</u>
Other income is recognised when the right to receive the revenue has been established.

g) Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as current provisions in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled beyond 12 months are discounted back to their net present value.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Bonus entitlements
A liability is recognised for employee benefits in the form of employee bonus entitlements which are determined before the time of completion of the financial report. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

h) Finance expenses

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

i) Income tax

Companies
Income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction and deferred tax expense calculated by reference to changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

i) Income tax (continued)

Trusts and Funds
Under current Australian income tax legislation, the Trusts and Funds in the Group are not liable for income tax provided their taxable income and taxable capital gains are fully distributed to unitholders each year. Accordingly, income tax amounts disclosed in this financial report relate only to the companies within the Group.

Tax consolidation
The Company and its wholly owned entities formed a tax consolidated group with effect from 1 July 2005.

j) Impairment of assets

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

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment semi-annually at the Cash Generating Unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

k) 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. Restricted cash is separately disclosed and is based on a calculation to meet the Australian Financial Services Licence net tangible asset requirements.

l) 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.

m) Financial instruments

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

m) Financial instruments (continued)

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

Financial assets at fair value through profit or loss
Financial assets designated at fair value through profit or loss comprises investments in unlisted and listed funds. Upon initial recognition, the investments are designated at fair value through profit or loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The Group has elected to measure these investments at fair value through profit or loss as allowed under paragraph 18 of AASB 128 *Investments in associates and joint ventures*.

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

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

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

Receivables
Refer to Note 1 (l).

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group 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 Note 1 (m) and Note 1 (p) below.

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

n) 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.

n) 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 Discontinued Operations* do not apply to investment properties.

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

o) Investment properties

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

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

p) Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. The significant interest rate risk arises from bank borrowings. The Group 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 statement of financial position date is recognised in the statement of financial position as either a financial asset or liability.

The Directors 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 Group would receive or pay to terminate the swap at the statement of financial position date, taking into account current and future interest rates and the current credit worthiness of the swap counterparties.

q) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

q) Property, plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Class of Fixed Asset	Depreciation Rate
Computer and office equipment	2.5% - 50.0%

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

r) Trade and other payables

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

s) Borrowings

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

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

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

t) Provisions

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

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

u) Issued capital

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

v) 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.

w) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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:

<u>Valuation of investment properties</u>
The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken annually. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 1 (o).

<u>Income taxes</u>
The Group is subject to income taxes in Australia. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

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

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

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

In determining the NTA of the underlying investments, property assets are either valued using an external professional valuer, or subject to a Director valuation. All other assets and liabilities held within entities are valued in accordance with accounting policies, consistent with those noted in Note 1.

w) Critical judgements and significant accounting estimates (continued)

Deferred exit fees receivable
Deferred exit fees receivable have been estimated based on the Group's best estimate of the amount earned at balance date taking into account the weighted average of reasonably possible future cash inflows at the currently expected divestment date of the underlying investment properties on which it is earned.

Intangibles
The Group assesses the carrying value of intangibles on at least a semi-annual basis. Critical judgements are made by the Group in assessing the value of management rights which have an indefinite life. Management rights are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Refer to Note 21 for further information.

Business combinations – Gain on bargain purchase
The recognition of business combinations requires the difference between total purchase consideration and net identifiable assets acquired to be recognised as income in the statement of profit or loss. The Group makes judgements and estimates in assessing the net identifiable assets acquired. Refer to Note 32 for further information.

Control of entities
The Group has consolidated the financial results of entities it is deemed to control under AASB10 *Consolidated Financial Statements*. Critical judgements are made by the Group to determine whether control exists, principally around the three criteria which must be met (refer to Note 1 (c)). Further information on Controlled Entities is included in Note 35.

x) Accounting standards issued but not yet effective

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2014. They are available for early adoption, but have not been applied in preparing these financial statements. The Group 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 Group.
- IFRS 15 – *Revenue from Contracts with Customers (Effective January 1, 2017)*. 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. This is not expected to materially impact the Group.
- AASB 1031 – *Materiality (Effective January 1, 2014)*. The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. There is no impact on the Group's financial statements.

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

- IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation (Effective January 1, 2016)*
- AASB 2013-9 Amendments to AAS – *Investment Entities (Effective January 1, 2014 and January 1, 2015)*
- AASB 2012-3 Amendments to AAS – *Offsetting Financial Assets and Financial Liabilities (Effective January 1, 2014)*

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

Note 2: Financial risk management

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

The Board has developed risk management principles and policies and monitors their implementation. Policies are established to identify and analyse the financial risks faced by the Group, 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 Group's activities.

The nature and extent of the financial instruments and the risk management policies employed by the Group are discussed below.

a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group 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 2014 $'000	**30 June 2013 $'000**
Cash and cash equivalents	16,881	7,516
Receivables	4,203	209
Financial assets at fair value through profit or loss	92,825	-
Total	113,909	7,725

The Group 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 or impaired, and all amounts are expected to be received in full.

b) Liquidity risk
Liquidity risk is the risk that the Group 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 Group's reputation.

The Group 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 in Note 30. 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.

c) 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 Group'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.

Note 2: Financial risk management (continued)

Interest rate risk

The Group's interest rate risk arises from borrowings and cash balances. Borrowings are at variable interest rates and expose the Group to cash flow interest rate risk. The Group utilises derivative financial instruments to hedge exposure to fluctuations in interest rates. The potential impact of a change in interest rates by +/-1% on profit and equity has been disclosed in a table in Note 30.

Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group 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 Group are listed and unlisted 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, and policies are set which each individual fund complies with. The framework of the composition of the securities held by the Group is in line with Group policies.

The Group's exposure to other price risk at reporting date, including its sensitivity to changes in the fair value of different classes of equity securities that were reasonably possible has been disclosed in a table in Note 30.

Other markets risk

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

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group uses a variety of methods to calculate the value of financial instruments and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is determined by reference to the market value of the swaps. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments.

e) Capital Management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends and distributions paid to securityholders, return capital to securityholders, issue new stapled securities, purchase the Group's own securities on the market, or sell assets to reduce debt.

Neither the Company nor any of its related entities are subject to externally imposed capital requirements with the exception of the Responsible Entities. The Responsible Entities must hold capital in accordance with Australian Financial Services Licence requirements.

For information on issued capital refer to Note 29 and on borrowings refer to Note 25.

Note 3: Distributions and dividends

The Company did not declare any dividends during the year or up to the date of this report (30 June 2013: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the year were as follows:

	30 June 2014 $'000	30 June 2013 $'000
2.50 cents per stapled security paid on 14 November 2012 (unfranked)	-	2,134
4.00 cents per stapled security paid on 13 March 2013 (unfranked)	-	3,414
1.00 cent per stapled security paid on 31 July 2013 (unfranked)	-	853
1.25 cents per stapled security paid on 24 October 2013 (unfranked)	3,096	-
1.25 cents per stapled security paid on 28 January 2014 (unfranked)	3,109	-
1.25 cents per stapled security paid on 24 April 2014 (unfranked)	3,109	-
1.25 cents per stapled security paid on 24 July 2014 (unfranked)	3,109	-
	12,423	6,401

Note 4: Revenue

Rental from investment properties include:

	30 June 2014 $'000	30 June 2013 $'000
12 - 22 Woniora Road, Hurstville NSW	7,613	7,608
4 Mort Street, Canberra ACT	-	1,424
2B Factory Street, Granville NSW	542	747
111 St George's Terrace, Perth WA	10,658	-
441 Murray Street, Perth WA	2,205	-
	21,018	9,779

2B Factory Street, Granville was sold on 14 August 2013. 4 Mort Street Canberra was sold in the prior year. Refer to Note 17 for further information. 111 St George's Terrace, Perth and 441 Murray Street, Perth were acquired through the acquisition of 360 Capital Property Group. Refer to Note 20 and Note 32 for further information.

Funds management fees include:

	30 June 2014 $'000	30 June 2013 $'000
Management fees	5,448	-
Custodian fees	395	-
Performance fees	285	-
Leasing fees	100	-
Other fees	131	-
	6,359	-

Note 4: Revenue (continued)

Distributions from property funds include:

	30 June 2014 $'000	30 June 2013 $'000
360 Capital Industrial Fund (ASX: TIX)	2,011	-
360 Capital Office Fund (ASX: TOF)	827	-
360 Capital Havelock House Property Trust	175	-
360 Capital Subiaco Square Property Trust	121	-
Centuria Diversified Direct Property Fund	683	-
Centuria Office Fund No.2	4	-
	3,821	-

The above distributions are from investments acquired by the Group as part of the acquisition of 360 Capital Property Group. Refer to Note 32 for further information.

Finance revenue includes:

	30 June 2014 $'000	30 June 2013 $'000
Interest on bank accounts and term deposits and other	903	318
Interest and fees on Lawson loan	2,551	-
	3,454	318

Lawson Loan

On 29 November 2013, the Group acquired 100% of the Lawson Loan for $22.6 million. The Lawson Loan was a $27.4 million loan facility to 360 Capital Developments Income Fund which was previously owned by a consortium of Blackstone and Morgan Stanley. The Group owned 9.6% of 360 Capital Developments Income Fund and was also the Responsible Entity and Custodian of the Fund.

The interest rate on the loan was 12% per annum which was being capitalised on a monthly basis. The loan was fully repaid in April 2014. As the loan was not repaid by 1 March 2014, the Group was entitled to a $1.0 million deferred establishment fee from the 360 Capital Developments Income Fund. The loan was repaid in full in April 2014.

Movements in the carrying value of the Lawson Loan during the year are as follows:

	30 June 2014 $'000	30 June 2013 $'000
Consideration paid	22,630	-
Fair value adjustment of financial assets	4,814	-
Total carrying value before capitalised finance charges	27,444	-
Interest and fees capitalised	2,551	-
Loan repayment	(29,995)	-
Closing carrying value	-	-

A net gain on fair value adjustment of $4.8 million has been recognised during the year based on a fair value assessment post-acquisition.

Note 5: Net gain/(loss) on fair value of financial assets

	30 June 2014 $'000	30 June 2013 $'000
Lawson loan	4,814	-
Investments in property funds	3,273	-
Vendor property financing loans	-	(114)
Development property financing loans	-	(941)
	8,087	(1,055)

Refer to Note 4 for information on the fair value adjustment of the Lawson loan. Refer to Note 16 for information on the fair value adjustments on Investments in property funds. The Group is no longer involved in Vendor and Development property financing.

Note 6: Other income

	30 June 2014 $'000	30 June 2013 $'000
Stamp duty refund	1,587	-
Other	228	41
	1,815	41

During the year, the Victorian State Revenue Office refunded $1.59 million of stamp duty previously paid by the 360 Capital Diversified Property Fund. The Group received a net $1.8 million refund including interest on the overpaid stamp duty less associated legal costs. The stamp duty refund has been recognised in other income and the associated legal costs in administration expenses in the statement of profit or loss.

Note 7: Investment property expenses

	30 June 2014 $'000	30 June 2013 $'000
12 - 22 Woniora Road, Hurstville NSW	1,407	1,370
4 Mort Street, Canberra ACT	-	389
2B Factory Street, Granville NSW	14	115
158 Hume Street, Goulburn NSW	279	198
111 St George's Terrace, Perth WA	3,156	-
441 Murray Street, Perth WA	483	-
	5,339	2,072

Note 8: Employee benefit expenses

	30 June 2014 $'000	30 June 2013 $'000
Wages and salaries	3,266	1,081
Employer superannuation contributions	237	73
Security based payments expense	518	-
Payroll tax	226	31
	4,247	1,185

During the year the Group implemented an Employee Security Plan ("ESP"). Employees were granted 21,970,000 securities subject to a 3 year Total Securityholder Return target. The fair value of the issue of securities under the ESP has been determined by an independent Actuary using a binominal pricing model. The Group has recognised $0.52 million of security based payment expense in the statement of profit or loss. Further information on the ESP and the fair value calculation is provided in Note 29.

Note 9: Finance expenses

	30 June 2014 $'000	30 June 2013 $'000
Interest and finance charges paid and payable	3,707	1,521
Borrowing cost amortisation	663	139
	4,370	1,660

Note 10: Income tax expense

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

	30 June 2014 $'000	30 June 2013 $'000
Profit/(loss) before tax attributable to stapled securityholders	31,000	(6,320)
Income tax expense/(benefit) at the effective corporate rate of 30%	9,300	(1,896)
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(4,078)	1,412
Gain on bargain purchase exempt from income tax	(2,476)	-
Reversal of impairment in equity accounted investment exempt from income tax	(180)	-
Employee Security Plan interest income taxable	326	-
Security based payments expense non tax deductible	155	-
Other tax adjustments	(148)	484
Income tax expense recognised in the statement of profit or loss	2,899	-

Note 10: Income tax expense (continued)

In the prior year, the Group did not recognise deferred tax assets or liabilities with respect to tax losses and timing differences as it was not probable that the carried forward tax losses would be able to be utilised in the future.

Following the acquisition of 360 Capital Property Group (refer to Note 32), management has recognised tax losses and timing differences resulting from the acquisition. In addition, the 360 Capital Group Limited tax group has carried forward revenue tax losses of $6.3 million (2013: $6.3 million) and carried forward capital tax losses of $10.6 million (2013: Nil) that have not been recognised as deferred tax assets.

Whilst deductible tax losses do not expire under current tax legislation, the continuity of ownership test or same business test need to be satisfied for tax losses to be utilised.

Note 11: Auditors' remuneration

The auditor of the Group changed to Ernst & Young ("EY") from KPMG on 31 October 2013.

Details of the amounts paid to the Group auditors' for audit and non-audit services provided during the year are set out below:

	30 June 2014 $	30 June 2013 $
Audit services - EY		
Audit and review of financial reports	165,506	-
	165,506	-
Other services - EY		
Taxation compliance services	189,300	-
Other services	29,700	-
Total auditors' remuneration - EY	384,506	-
Audit services - KPMG		
Audit and review of financial reports	-	131,074
Audit of compliance plan	-	17,500
	-	148,574
Other services - KPMG		
Taxation compliance services	-	45,522
Total auditors' remuneration - KPMG	-	194,096

Note 12: Earnings per stapled security

	30 June 2014 ¢	30 June 2013 ¢
Basic earnings per stapled security	12.05	(7.40)
Diluted earnings per stapled security	11.10	(7.40)

	$'000	$'000
Basic and diluted earnings		
Profit/(loss) attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	22,973	(6,320)

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	190,710	85,352
Weighted average number of stapled securities - diluted	206,999	85,352

Dilution

During the year 21,970,000 securities were granted to employees under the 360 Capital Group ESP. The issue price per security was $0.59 which was equal to the price per security in the $70.8 million Institutional Capital Raising completed in October 2013. The grant of the securities is subject to a 3 year Total Securityholder Return target.

The employees who participated in the ESP were also provided with a loan on the grant date of an amount equivalent to the face value of the securities. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities.

Further information on the ESP is provided in Note 29.

Note 13: Segment reporting

Segment information is presented in respect of the Group'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 Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Core operations
The acquisition of the 360 Capital Property Group during the year resulted in the transformation of the Group into a diversified real estate investment and funds management group. The business strategy going forward is focused on the following core business segments representing;

1) Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
2) Co-investment - aligning interest of Group with underlying fund investors and providing income through distributions and capital growth in equity values
3) Direct asset investment - delivering stable rental cash flows, improved through active management by the Group

The Group's management strategy and measures of performance focus on the returns from these core segments in order to deliver returns and value to investors.

The property development segment that was reported in the prior year has been removed as it is non-core and immaterial to Group operations and any items associated with this previous segment have been reported as Corporate.

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 Group. In the prior year, the Chief Financial Officer was the Chief Operating Decision Maker.

The information provided is net of specific non-cash items including fair value adjustments, straight-lining of lease revenues and incentives, security based payments expense and impairment adjustments. Significant one off items are also excluded.

Prior year comparatives have changed to reflect management's revised approach to segment reporting following the acquisition of 360 Capital Property Group and change in the Chief Operating Decision Maker.

Corporate
Income and expenses for management of the Group on an overall basis are not allocated to core operation segments. Property development assets, tax assets and other incidental assets and liabilities are not allocated to core operation segments as they are either non-core or for management of the Group on an overall group basis. All these items are included under corporate in the segment disclosures.

Consolidation and eliminations
Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from managed funds deemed to be controlled under AASB 10, being material non-controlling interests (refer to Note 32 and Note 35). The performance of these managed funds, which are operated as externally managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's business segments.

Geographical segments
In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the underlying assets. All segments operate solely within Australia.

Note 13: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2014 are as follows:

Year ended 30 June 2014	Co-investment funds	Direct asset investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	-	5,200	-	5,200	(1,126)	4,074
Net property income	-	6,825	-	-	6,825	9,726	16,551
Co-investment revenue	3,950	-	-	-	3,950	(129)	3,821
Finance revenue	2,804	-	-	-	2,804	650	3,454
Other income	-	5	101	-	106	-	106
Total revenue and other income	6,754	6,830	5,301	-	18,885	9,121	28,006
Operating expenses	44	107	4,462	1,058	5,671	801	6,472
Earnings before interest and tax (EBIT)	6,710	6,723	839	(1,058)	13,214	8,320	21,534
Net interest expense	(2)	872	(233)	-	637	3,733	4,370
Operating profit before tax	6,712	5,851	1,072	(1,058)	12,577	4,587	17,164
Income tax expense	-	-	362	-	362	-	362
Operating profit (before specific non-cash and significant items)	6,712	5,851	710	(1,058)	12,215	4,587	16,802

Weighted average number of securities - basic ('000)	190,710
Operating profit per security (before specific non-cash and significant items) (EPS) - cents	6.40

Number of securities for distribution per security (DPS) ('000)	248,703
DPS - cents	5.00

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 62.

Note 13: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2013 are as follows:

Year ended 30 June 2013	Co-investment funds	Direct asset investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	-	506	-	506	(506)	-
Net property income	-	7,831	-	-	7,831	-	7,831
Co-investment revenue	-	-	-	-	-	-	-
Finance revenue	-	-	-	-	-	-	-
Other income	-	-	-	41	41	-	41
Total revenue and other income	-	7,831	506	41	8,378	(506)	7,872
Operating expenses	-	774	93	1,761	2,628	(506)	2,122
Earnings before interest and tax (EBIT)	-	7,057	413	(1,720)	5,750	-	5,750
Net interest expense	-	1,520	(21)	(157)	1,342	-	1,342
Operating profit before tax	-	5,537	434	(1,563)	4,408	-	4,408
Income tax expense	-	-	-	-	-	-	-
Operating profit (before specific non-cash and significant items)	-	5,537	434	(1,563)	4,408	-	4,408

Weighted average number of securities - basic ('000)	85,352
Operating profit per security (before specific non-cash and significant items) (EPS) - cents	5.16

Number of securities for distribution per security (DPS) ('000)	85,352
DPS - cents	7.50

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 62.

Note 13: Segment reporting (continued)

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is as follows:

	30 June 2014 $'000	30 June 2013 $'000
Total revenue per segment report	28,006	7,872
Investment property expenses reported in net property income	5,339	2,072
Write back of provision of management fee income from property funds [1]	2,285	-
Straight-lining of lease revenue and incentives [2]	(872)	(124)
Interest income	-	318
Other income	(106)	(41)
Total revenue in the statement of profit or loss	34,652	10,097
Gain on bargain purchase of 360 Capital Property Group	9,321	-
Net gain/(loss) on fair value of financial assets	8,087	(1,055)
Reversal of impairment of investments accounted for using the equity method	600	778
Other income [3]	1,815	41
Total revenue and other income in the statement of profit or loss	54,475	9,861

1) Write back of provision of management fee income from property funds of $2.3 million is excluded from revenue in the segment report as it relates to income from prior periods previously considered uncollectible but now recovered.

2) Straight-lining of lease revenue and incentives of $0.9 million is excluded from revenue in the segment report in order to disclose lease revenue on a cash basis.

3) Other income of $1.8 million is excluded from revenue in the operating segment report as the majority ($1.6 million) relates to a one off refund received by 360 Capital Diversified Property Fund from Victorian State Revenue in relation to stamp duty previously paid.

Note 13: Segment reporting (continued)

Reconciliation of profit/(loss) to operating profit/(loss) for the year is as follows:

	Total core 30 June 2014 $'000	Total core 30 June 2013 $'000	Total 30 June 2014 $'000	Total 30 June 2013 $'000
Profit/(loss) after tax attributable to stapled securityholders	22,973	(6,320)		
Profit/(loss) for the year			28,101	(6,320)
Specific non-cash items				
Net loss on fair value of derivative financial instruments	14	-	591	-
Net (gain)/loss on fair value of financial assets	(8,505)	1,055	(8,087)	1,055
Reversal of impairment of investments accounted for using the equity method	(600)	(778)	(600)	(778)
Net loss on fair value of investment properties	5,465	10,156	5,267	10,156
Net loss on disposal of investment properties	-	171	119	171
Security based payments expense	518	-	518	-
Straight-lining of lease revenue and incentives	620	124	872	124
Significant items				
Other income	-	-	(1,709)	-
Gain on bargain purchase of 360 Capital Property Group	(9,321)	-	(9,321)	-
Business combination transaction expenses	791	-	791	-
Write back of provision of management fee income from property funds	(2,285)	-	(2,285)	-
Tax effect				
Tax effect of specific non-cash items and significant items	2,545	-	2,545	-
Operating profit (before specific non-cash items and significant items)	12,215	4,408	16,802	4,408

Note 13: Segment reporting (continued)

As at 30 June 2014	Co-investment funds $'000	Direct asset investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets							
Cash and cash equivalents	-	-	5,249	9,137	14,386	2,495	16,881
Investment properties	-	38,500	-	-	38,500	164,500	203,000
Assets held for sale	-	4,300	-	-	4,300	-	4,300
Financial assets at fair value through the profit or loss	100,292	-	-	-	100,292	(7,467)	92,825
Other assets	2,261	445	11,442	2,284	16,432	(4,569)	11,863
Total assets	102,553	43,245	16,691	11,421	173,910	154,959	328,869
Liabilities							
Borrowings	-	25,000	-	-	25,000	77,372	102,372
Other liabilities	24	1,234	1,624	3,410	6,292	3,352	9,644
Total liabilities	24	26,234	1,624	3,410	31,292	80,724	112,016
Net assets	102,529	17,011	15,067	8,011	142,618	74,235	216,853

As at 30 June 2013	Co-investment funds $'000	Direct asset investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets							
Cash and cash equivalents	-	2,439	636	4,441	7,516	-	7,516
Investment properties	-	53,583	-	-	53,583	-	53,583
Other assets	-	431	61	1,197	1,689	-	1,689
Total assets	-	56,453	697	5,638	62,788	-	62,788
Liabilities							
Borrowings	-	10,237	-	-	10,237	-	10,237
Other liabilities	-	2,093	33	563	2,689	-	2,689
Total liabilities	-	12,330	33	563	12,926	-	12,926
Net assets	-	44,123	664	5,075	49,862	-	49,862

Note 14: Cash and cash equivalents

	30 June 2014 $'000	30 June 2013 $'000
Cash at bank	11,632	6,954
Cash at bank – Restricted	5,249	562
Cash and cash equivalents in the statement of cash flows	16,881	7,516

Restricted cash is required to be maintained to meet the Australian Financial Services Licence net tangible asset requirements.

Note 15: Receivables

	30 June 2014 $'000	30 June 2013 $'000
Current		
Trade receivables	1,413	209
Distributions receivables	1,559	-
Other receivables	275	-
	3,247	209
Non-current		
Trade receivables	956	-
	956	-

a) Bad and doubtful trade receivables
During the year, the Group incurred $87,793 (2013: $Nil) in respect of provisioning for bad and doubtful trade receivables in relation to lease income on investment properties. Since the reporting date $34,267 of this provision has been written-off.

In April 2014, the Group waived its entitlement to $8,626,937 in outstanding management & exit fee income from the 360 Capital Office Fund to assist with the Fund's restructure and subsequent listing on the ASX. The outstanding management fees had been provisioned as doubtful prior to the Group acquiring 360 Capital Property Group in October 2013.

b) Fair values
The receivables are carried at amounts that approximate their fair value.

c) Credit risk
There is a limited amount of credit risk – refer to Note 30 for more information on the risk management policy of the Group.

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

	30 June 2014 $'000	30 June 2013 $'000
Current	1,215	209
1 to 3 months	142	-
More than 3 months	56	-
	1,413	209

As at 30 June 2014, trade receivables of $198,000 (2013: $Nil) were past due but not impaired.

Note 16: Financial assets at fair value through the profit or loss

	30 June 2014 $'000	30 June 2013 $'000
Current		
Units in unlisted funds managed by Group subsidiaries	3,364	-
	3,364	-
Non-current		
Units in unlisted funds managed by Group subsidiaries	6,593	-
Units in listed funds managed by Group subsidiaries	70,640	-
Units in unlisted funds managed externally	12,228	-
	89,461	-
Total	92,825	-

The Group holds investments in the following managed investment schemes:

	30 June 2014 %	30 June 2013 %	30 June 2014 $'000	30 June 2013 $'000
Current				
360 Capital Canberra Trust	21.73%	-	3,364	-
			3,364	-
Non-current				
360 Capital Industrial Fund (ASX: TIX)	15.75%	-	32,148	-
360 Capital Office Fund (ASX: TOF)	25.02%	-	38,492	-
360 Capital Havelock House Property Trust	26.68%	-	3,048	-
360 Capital Subiaco Square Property Trust	24.08%	-	3,545	-
Centuria Diversified Direct Property Fund	19.31%	-	12,184	-
Centuria Office Fund No.2	1.20%	-	44	-
			89,461	-
Total			92,825	-

As part of the acquisition of 360 Capital Property Group, the Group acquired $53.3 million of investments in managed investment schemes (refer to Note 32).

The Group participated in the 360 Capital Office Fund Initial Public Offering ("IPO") in April 2014. A total of 19,175,762 units were acquired for $38.4 million.
The 360 Capital Industrial and 360 Capital Office Funds are listed on the ASX. All other investments are unlisted. Investments held in Centuria Diversified Direct Property Fund and Centuria Office Fund No. 2 are managed externally.

Certain funds in which the Group invests are due for review within the next 12 months and have therefore been classified as current assets. This includes the 360 Capital Canberra Trust. The Trust life is due to be reviewed in August 2014 and unitholders required to vote on whether to extend the life of the Trust. The Responsible Entity recommended voting against the extension of the Trust. On 25 August 2014 the unitholders voted in favour of the resolution not to extend the life of the Trust. The assets held by the Trust will now look to be disposed of and the Trust subsequently wound up.

Refer to Note 30 for fair value valuation techniques.

Note 16: Financial assets at fair value through the profit or loss (continued)

The Group has elected to measure these investments at fair value through profit or loss as allowed under paragraph 18 of AASB 128 *Investments in Associates and Joint Ventures*.

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

	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	-	-
Financial assets acquired through the acquisition of 360 Capital Property Group	53,325	-
Financial assets acquired in Initial Public Offering	38,707	
Financial assets acquired through dividend reinvestment	652	-
Financial assets acquired - other	2,872	-
Financial assets disposed	(6,004)	-
Fair value adjustment of financial assets	3,273	-
Closing balance	92,825	-

Note 17: Assets held for sale

	30 June 2014 $'000	30 June 2013 $'000
Investment property		
2B Factory Street, Granville NSW	-	4,833
158 Hume Street, Goulburn NSW	4,300	4,750
	4,300	9,583

These assets are classified as held for sale as it is considered highly probable that they will be sold within 12 months of the balance date. At balance date, 158 Hume Street, Goulburn NSW was subject to an exchanged sales contract for $4.3 million. The property settled on 13 August 2014. In the prior year, 2B Factory Street, Granville NSW was subject to an exchanged sales contract. The property was subsequently settled in August 2013.

A reconciliation of the movements in assets held for sale during the year is set out below:

	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	9,583	5,100
Reclassification from investment properties	-	4,748
Fair value adjustment of assets held for sale	(450)	-
Sale of asset held for sale	(4,833)	(265)
Closing balance	4,300	9,583

a) Valuation basis
Assets held for sale are carried at fair value, refer to Note 1 (n) for further information.

Note 18: Other current assets

	30 June 2014 $'000	30 June 2013 $'000
Prepayments	594	333
Other	41	330
	635	663

Note 19: Investments accounted for using the equity method

	30 June 2014 %	30 June 2013 %	30 June 2014 $'000	30 June 2013 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	1,400	800

The Group, through various wholly owned subsidiary companies, holds a 50% interest in the Renewing Homebush Bay Partnership. The other 50% is held by entities associated with Brookfield Multiplex Group. The principal activity of the partnership was residential property development. Practical completion of the project was achieved last financial year and all sales have settled.

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

	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	800	2,591
Redemption of equity	-	(2,569)
Reversal of prior year impairments	600	778
Closing balance	1,400	800

The reversal of prior year impairments was due to reforecasting of costs and claims associated with the development works undertaken.

The Group's share of summarised financial information consists of:

	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
Renewing Homebush Bay Partnership				
Year Ended 30 June 2014	4,355	1,555	-	-
Year Ended 30 June 2013	5,068	3,468	-	-

Note 20: Investment properties

	Date of acquisition	Book value 30 June 2014 $'000	Book value 30 June 2013 $'000	Capitalisation rate 30 June 2014 %	Capitalisation rate 30 June 2013 %	Discount rate 30 June 2014 %	Discount rate 30 June 2013 %	Last external valuation	Valuation $'000
12-22 Woniora Road, Hurstville NSW	20-Jul-05	38,500	44,000	9.25	9.00	10.25	9.50	Dec-13	38,500
111 St George's Terrace, Perth WA	2-Oct-13	137,000	-	8.50	-	10.00	-	Jun-14	137,000
441 Murray Street, Perth WA	2-Oct-13	27,500	-	9.50	-	10.25	-	Jun-14	27,500
Investment properties		203,000	44,000						203,000
Less: lease income receivable and incentives		(6,003)	(1,094)						
		196,997	42,906						

12-22 Woniora Road, Hurstville NSW - (360 Capital Investment Trust)
The Group owns this property which is a 5 star NABERS rated office building located in Hurstville, approximately 50 metres from the railway station. Hurstville is a regional metropolitan centre in the middle of Sydney's South Western suburbs approximately 20 kilometres from Sydney's CBD. The property comprises a ground floor and five upper levels of office accommodation. Parking is provided over three basement levels.

111 St George's Terrace, Perth WA - (360 Capital 111 St George's Terrace Property Trust)
A controlled entity of the Group (refer to Note 32 and Note 35) owns this property which is a landmark building on the corner of William Street and St George's Terrace in the heart of Perth WA. The property comprises 19 upper floors of office space, ground floor lobby and retail and basement car park.

441 Murray Street, Perth WA - (360 Capital 441 Murray Street Property Trust)
A controlled entity of the Group (refer to Note 32 and Note 35) owns this property which is located in the burgeoning 'West End' of the Perth Business district. The property is within walking distance to the main commercial address of St George's Terrace and the Murray and Hay Street retail shopping precincts.

Note 20: Investment properties (continued)

	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	44,000	73,500
Capitalised subsequent expenditures	1,049	-
Investment properties acquired through the acquisition of 360 Capital Property Group	163,262	-
Reclassification to assets held for sale	-	(4,748)
Disposal of investment properties	-	(13,936)
Straight-lining of lease revenue and incentives	(494)	(660)
Fair value adjustment of investment properties	(4,817)	(10,156)
Closing balance	203,000	44,000

a) Valuation basis
Investment properties are carried at fair value. Fair value of the properties is determined by the Directors, having regard to 30 June 2014 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. Valuations are undertaken in accordance with the Australian Property Institute Professional Practice Standard and the International Valuation Standard Committee Guidelines.

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 relative 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.

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 Matrix

Inputs	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to 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 30 for further information.

Note 20: Investment properties (continued)

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 knowledgably, 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) Highest and best use

For all investment properties the current use equates to the highest and best use.

d) 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 2014 $'000	30 June 2013 $'000
No later than 12 months	15,589	7,851
Between 12 months and five years	30,109	4,992
Greater than five years	19,016	-
	64,714	12,843

Note 21: Intangible assets

Cost	30 June 2014 $'000	30 June 2013 $'000
Opening balance at 1 July	-	-
Management right - indefinite useful life	5,000	-
Closing balance at 30 June	5,000	-
Amortisation		
Opening balance at 1 July	-	-
Amortisation	-	-
Closing balance at 30 June	-	-
Net book value	5,000	-

Management rights are held in relation to property funds and were acquired following the acquisition of 360 Capital Property Group (refer to Note 32).

a) Impairment of intangible assets

There was no impairment of management rights during the year (2013: Nil).

Note 22: Property, plant and equipment

	30 June 2014 $'000	30 June 2013 $'000
Opening net book amount at 1 July	17	192
Additions	32	5
Disposals	-	-
Impairment of property, plant and equipment	-	(151)
Depreciation charge	(16)	(29)
Closing net book amount	33	17
Balance as at 30 June		
Cost	69	37
Accumulated depreciation	(36)	(20)
Closing net book amount	33	17

Property, plant and equipment consist of office equipment and furniture & fittings.

Note 23: Deferred tax assets and liabilities

	30 June 2014 $'000	30 June 2013 $'000
Deferred tax assets comprises temporary differences attributable to:		
Accrued expenses	408	-
Provision for doubtful debts	112	-
Business acquisition costs	25	-
Tax losses	47	-
	592	-
Deferred tax liabilities comprises temporary differences attributable to:		
Accrued revenue	325	-
	325	-
Net deferred tax assets	267	-

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

	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	-	-
Net deferred tax assets acquired through acquisition of 360 Capital Property Group	3,327	-
Reversal and recognition of timing differences	(2,480)	
Prior year carried forward tax losses utilised	(467)	
Tax loss carry back refund	(93)	-
Other	(20)	-
Closing balance	267	-
Net deferred tax assets expected to reverse within 12 months	535	-
Net deferred tax assets expected to reverse after more than 12 months	(268)	-
	267	-

In the prior year, the Group did not recognise deferred tax assets or liabilities with respect to tax losses and timing differences as it was not probable that the carried forward tax losses would be able to be utilised in the future.

Following the acquisition of 360 Capital Property Group (refer to Note 32), management has recognised tax losses and timing differences resulting from the acquisition. In addition, the 360 Capital Group Limited tax group has carried forward revenue tax losses of $6.3 million (2013: $6.3 million) and carried forward capital tax losses of $10.6 million (2013: Nil) that have not been recognised as deferred tax assets.

Whilst deductible tax losses do not expire under current tax legislation, the continuity of ownership test or same business test need to be satisfied for tax losses to be utilised.

Note 23: Deferred tax assets and liabilities (continued)

Tax consolidation
360 Capital Group Limited formed a tax consolidated group with effect from 1 July 2005. All wholly owned Australian resident subsidiaries are part of the tax consolidated group. 360 Capital Group Limited is the head entity of the tax consolidated group. Companies included in the 360 Capital Property Group acquisition that occurred during the year joined the tax consolidated group on the date of acquisition being 2 October 2013. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Note 24: Trade and other payables

	30 June 2014 $'000	30 June 2013 $'000
Trade & GST payables	294	246
Employee benefits	105	-
Accruals	2,893	402
Other payables	77	1
	3,369	649

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

Note 25: Borrowings

	30 June 2014 $'000	30 June 2013 $'000
Current		
Borrowings - secured	15,288	10,261
Capitalised borrowing costs	(31)	(24)
	15,257	10,237
Non-current		
Borrowings - secured	87,807	-
Capitalised borrowing costs	(692)	-
	87,115	-
Borrowings - secured		
Total facility limit	109,000	10,261
Used at end of reporting date	103,095	10,261
Unused at end of reporting date	5,905	-

Note 25: Borrowings (continued)

a) Loan facilities summary

National Australia Bank facility - (360 Capital Investment Trust)
During the year, the Group established a new loan facility with National Australia Bank ("NAB"). The $25.0 million facility is fully drawn at balance date. The loan funds were initially used to assist in the acquisition of the Lawson Loan (Loan to 360 Capital Developments Income Fund) which was acquired by 360 Capital Group Limited. Following repayment of the Lawson Loan (refer to Note 4) the funds have been used for the co-investment in the 360 Capital Office Fund (refer to Note 16). The facility is due to expire in September 2015. The facility is secured by a mortgage in favour of NAB over 12-22 Woniora Road, Hurstville NSW (refer to Note 20) and 158 Hume Street, Goulburn NSW (refer to Note 17) and a fixed and floating charge over the assets of the wholly owned entities within the Group. The Group has an interest rate hedge covering $15.0 million of the facility at a rate of 2.77% (exclusive of the underlying margin). The interest rate hedge expires in February 2015.

Bank of Western Australia facility - (360 Capital 111 St George's Terrace Property Trust)
A controlled entity of the Group (refer to Note 32 and Note 35) has a loan facility with Bank of Western Australia ("Bankwest"). The $71.0 million facility is drawn to $67.8 million and expires in June 2016. The Group has an interest rate hedge covering $65.0 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in line with the Bankwest facility. The facility is secured by a mortgage in favour of Bankwest over 111 St Georges Terrace, Perth WA (refer to Note 20).

Bank of Western Australia facility - (441 Murray Street Property Trust)
A controlled entity of the Group (refer to Note 32 and Note 35) has a loan facility with Bankwest. The $13.0 million facility is drawn to $10.3 million and expires in October 2014. In August 2014, the Group renegotiated with Bankwest to extend the finance facility until 30 June 2015. The extension of the existing finance facility will allow additional time to finalise lease negotiations with the existing tenant on a potential extension of their lease which is due to expire in December 2015. The Group has an interest rate hedge covering $9.5 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in May 2016. The facility is secured by a mortgage in favour of Bankwest over 441 Murray Street, Perth WA (refer to Note 20).

Westpac Banking Corporation facility - (360 Capital Investment Trust)
The Group had a loan facility with Westpac Banking Corporation ("WBC"). The $10.3 million facility was fully repaid during the year.

Funding Covenants
All loan facilities are subject to standard commercial covenants consistent with the type of loan including Loan Value Ratio, Interest Cover Ratio & Negative Variations. At the date of this report, the Group complies with all debt covenants and did at all times during the period.

b) Other loan facilities

AMB Holdings Pty Limited facility - (360 Capital Trust)
On the date of acquisition of 360 Capital Property Group, AMB Holdings Pty Limited, an original securityholder in 360 Capital Property Group, was owed $11.25 million. The loan was fully repaid by the Group on the date of acquisition.

CVC Mezzanine Finance Pty Limited facility - (360 Capital Diversified Property Fund)
On the date of acquisition of 360 Capital Property Group, CVC Limited, an unrelated party, was owed $7.96 million by a controlled entity of the Group (refer to Note 32 and Note 35). The loan was fully repaid by the Group on 23 October 2013.

Note 26: Derivative financial instruments

	30 June 2014 $'000	30 June 2013 $'000
Current		
Interest rate swap contracts - fair value	14	-
Non-current		
Interest rate swap contracts - fair value	358	-
Total	372	-

The Group utilises derivative financial instruments to hedge exposure to fluctuations in interest rates. Refer to Note 30 for further information on interest rate swap contracts.

a) Interest rate swap contracts
Interest-bearing liabilities of the Group carried a weighted average effective interest rate of 5.24% (2013: 5.17%). The debt may be protected all or in part from exposure to increasing interest rates, and to ensure steady cash flow of the Group. Accordingly, the Group 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. The weighted average fixed interest rate is 2.96% (2013: N/A).

Swaps currently in place cover approximately 86.81% (2013: N/A) of the loan principal outstanding. The contracts require settlement of net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

As explained in Note 1, 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 27: Provisions

	30 June 2014 $'000	30 June 2013 $'000
Current		
Employee benefits	97	354
Distributions payable	3,448	853
	3,545	1,207
Non-current		
Employee benefits	20	-
	20	-

Note 28: Other current liabilities

	30 June 2014 $'000	30 June 2013 $'000
Rental income invoiced in advance	2,013	833
	2,013	833

Note 29: Equity

(a) Issued capital

	30 June 2014 000's	30 June 2013 000's
360 Capital Group Limited - Ordinary shares issued	226,733	85,352
360 Capital Investment Trust - Ordinary units issued	226,733	85,352

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	7,386	(3,092)
360 Capital Investment Trust - Ordinary units issued	167,815	97,688
Total issued capital	175,201	94,596

(b) Movements in issued capital

Movements in issued capital of the Group for the year were as follows:

	000's	$'000
Opening balance at 1 July	85,352	94,596
2 October 2013 - Institutional capital raising	120,000	70,800
2 October 2013 - Scrip for scrip offer (refer to Note 32)	21,381	14,111
Transaction costs incurred in issuing capital	-	(4,306)
Closing balance at 30 June	226,733	175,201

Under Australian Accounting Standards, securities issued under the 360 Capital Group Employee Security Plan ("ESP") are required to be accounted for as options and are excluded from total issued capital, until such time as the relevant employee loans are fully repaid or the employee leaves the Group. Total ordinary securities issued as detailed above is reconciled to securities issued on the ASX as follows:

	30 June 2014 000's	30 June 2013 000's
Total ordinary securities disclosed	226,733	85,352
Issued capital on 2 October 2013 - Employee security plan	20,970	-
Issued capital on 1 November 2013 - Employee security plan	1,000	-
Total securities issued on the ASX	248,703	85,352

(c) Employee Security Plan

During the year 21,970,000 securities were granted to employees under the 360 Capital Group ESP. The issue price per security was $0.59 which was equal to the price per security in the $70.8 million Institutional Capital Raising completed in October 2013. The employees who participated in the ESP were also provided with a loan on the grant date of an amount equivalent to the face value of the securities. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities.

Note 29: Equity (continued)

The securities vest if the Group's Total Securityholder Return (TSR) over a 3 year period achieves the following:

Absolute TSR Achieved (% pa)	Proportion of Target Award Vesting
15%	100%
>10% and <15%	Pro Rata Allocation
10%	50%
<10%	0%

The fair value of the issue of securities under the ESP at grant date is estimated using a binominal pricing model, taking into account the terms and conditions upon which the securities were granted and the following key assumptions:

Valuation Date:	2 October 2013
Security Price:	$0.66
Risk Free Rate:	2.84%
Dividend Yield:	7.5%
Volatility:	30%
Initial TSR:	11.9%
Exercise price:	$0.59

As the Group has been transformed following the acquisition of 360 Capital Property Group (refer to Note 32), a volatility estimate could not be obtained from analysing historic data. Volatility was determined by analysing comparable companies with similar principal activities.

The grant date fair value of the securities issued under the ESP was $0.0998 per security. For the year ended 30 June 2014, the Group has recognised $0.52 million of security based payment expense in the statement of profit or loss.

Note 30: Financial instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2014:

	Amortised cost $'000	Fair value profit or loss $'000
Financial assets		
Receivables	956	-
Financial assets at fair value through profit or loss	-	89,461
Total non-current	956	89,461
Receivables	3,247	-
Financial assets at fair value through profit or loss	-	3,364
Total current	3,247	3,364
Total	4,203	92,825
Financial liabilities		
Borrowings	87,115	-
Derivative financial instruments	-	358
Total non-current	87,115	358
Trade and other payables	3,369	-
Borrowings	15,257	-
Derivative financial instruments	-	14
Total current	18,626	14
Total	105,741	372

Risk management activities

Interest rate risk

The key source of interest rate risk for the Group is derived from borrowings. The Group manages this exposure by entering into interest rate swap agreements to fix a portion of the interest charged on its borrowings.

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity period is:

Note 30: Financial instruments

	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 2014						
Financial assets						
Cash and cash equivalents	11,686	5,195	-	-	-	16,881
Receivables	-	-	-	-	4,203	4,203
Financial assets at fair value through profit or loss	-	-	-	-	92,825	92,825
Total financial assets	11,686	5,195	-	-	97,028	113,909
Weighted average interest rate	2.20%	3.64%				
Financial liabilities						
Trade and other payables	-	-	-	-	3,369	3,369
Borrowings	13,595	15,000	74,500	-	-	103,095
Derivative financial instruments	-	-	-	-	372	372
Total financial liabilities	13,595	15,000	74,500	-	3,741	106,836
Weighted average interest rate	5.24%	5.32%	5.53%			
Net financial assets/(liabilities)	(1,909)	(9,805)	(74,500)	-	93,287	7,073
30 June 2013						
Financial assets						
Cash and cash equivalents	4,516	3,000	-	-	-	7,516
Receivables	-	-	-	-	209	209
Total financial assets	4,516	3,000	-	-	209	7,725
Weighted average interest rate	2.62%	4.20%				
Financial liabilities						
Trade and other payables	-	-	-	-	649	649
Borrowings	10,261	-	-	-	-	10,261
Total financial liabilities	10,261	-	-	-	649	10,910
Weighted average interest rate	5.17%					
Net financial assets/(liabilities)	(5,745)	3,000	-	-	(440)	(3,185)

Note 30: Financial instruments (continued)

Liquidity risk
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 2014					
Trade and other payables	3,369	3,369	3,369	-	-
Borrowings	103,095	110,942	19,690	91,252	-
	106,464	114,311	23,059	91,252	-
30 June 2013					
Trade and other payables	649	649	649	-	-
Borrowings	10,261	10,473	10,473	-	-
	10,910	11,122	11,122	-	-

Credit risk
The carrying amounts of financial assets included in the statement of financial position represent the Group's exposure to credit risk in relation to these assets.

Summarised interest rate sensitivity analysis
The table below illustrates the potential impact a change in interest rates by +/-1% would have had on the Group's profit and equity.

		Change in interest rate -1%		Change in interest rate 1%	
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2014					
Financial assets					
Cash and cash equivalents	16,881	(117)	(117)	117	117
Financial liabilities					
Borrowings	103,095	136	136	(136)	(136)
Total increase/(decrease)		19	19	(19)	(19)
30 June 2013					
Financial assets					
Cash and cash equivalents	7,516	(45)	(45)	45	45
Financial liabilities					
Borrowings	10,261	103	103	(103)	(103)
Total increase/(decrease)		58	58	(58)	(58)

Note 30: Financial instruments (continued)

Fair values
Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2014:

	Carrying amount $'000	Fair value $'000
Financial assets		
Receivables	956	956
Financial assets at fair value through profit or loss	89,461	89,461
Total non-current	90,417	90,417
Receivables	3,247	3,247
Financial assets at fair value through profit or loss	3,364	3,364
Total current	6,611	6,611
Total	97,028	97,028
Financial liabilities		
Borrowings	87,115	87,807
Derivative financial instruments	358	358
Total non-current	87,473	88,165
Trade and other payables	3,369	3,369
Borrowings	15,257	15,288
Derivative financial instruments	14	14
Total current	18,640	18,671
Total	106,113	106,836

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

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Group 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.

Note 30: Financial instruments (continued)

As at 30 June 2014, the Group held the following classes of financial instruments measured at fair value:

	30 June 2014 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	92,825	70,640	-	22,185
Derivative financial instruments	372	-	372	-

During the year, the Group's investment in the 360 Capital Office Fund (refer to Note 16) moved from Level 3 to Level 1 following its listing on the ASX. There were no other transfers between Level 1 and Level 2 fair value measurements, and no other transfers into or out of Level 3 fair value measurements.

Reconciliation of fair value measurements categorised within the Level 3 hierarchy for the year is as follows:

	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	-	-
Financial assets acquired through the acquisition of 360 Capital Property Group	23,296	-
Financial assets disposed	(1,140)	-
Fair value adjustment of financial assets	29	-
Closing balance	22,185	-

Valuation techniques

Fair value profit or loss financial assets
For fair value profit or loss financial assets, the Group invests in listed and unlisted 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. Unlisted investments are not traded in an active market and are categorised as Level 3 instruments. NTA of the underlying investments is used as a basis for valuation however may be amended as deemed appropriate (e.g. when the NTA of the underlying investment is negative). The NTA of investments is driven by underlying investment properties which are carried at fair value based on valuations using the capitalisation rate, markets sale comparison and discounted cash flow approaches (refer to Note 20). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates which are estimated to be in the range of 7.5 % to 9.5% and discount rates estimated to be between 9.0% and 10.5%. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date.

Derivatives
For derivatives, as market prices are unavailable the Group 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.

Note 30: Financial instruments (continued)

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.

Note 31: Reconciliation of net profit/(loss) to net cash inflows from operating activities

	30 June 2014 $'000	30 June 2013 $'000
Net profit/(loss) for the year	28,101	(6,320)
Adjustment for:		
Borrowing cost amortisation	663	127
Depreciation	16	29
Gain on bargain purchase of 360 Capital Property Group	(9,321)	-
Impairment of other non-current assets	-	151
Impairment reversal of equity accounted investments	(600)	(778)
Net (gain)/loss on fair value of financial assets	(8,087)	1,055
Net loss on fair value of investment properties	5,267	10,156
Net loss on fair value of derivative financial instruments	591	-
Security based payments expense	518	-
Straight-lining of lease revenue and incentives	620	120
Change in assets and liabilities		
Decrease in receivables and prepayments	(562)	796
Decrease in creditors and accruals	(1,904)	(605)
Decrease in provision for deferred income tax	3,060	-
Net cash inflows from operating activities	18,362	4,731

Note 32: Business combinations

Acquisition of 360 Capital Property Group

Summary of acquisition

On 2 October 2013, the Group acquired 100% of the issued securities of 360 Capital Property Group, a diversified real estate investment and funds management business, for consideration of $59.0 million. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of 360 Capital Property Group for the 9 month period from the acquisition date. As a result of the acquisition and after Securityholder approval, the Group ceased its asset realisation strategy. The Group's investment philosophy is now based around a business plan focused primarily on three areas of property in Australia, namely

- Funds management
- Co-investment
- Direct asset investment

The Group is now focused solely on actively managing Australian based real estate portfolios across the commercial, retail and industrial sectors. The Group also has an investment philosophy of co-investing with clients, aligning interests and sharing the benefits that property investment provides. Details of the purchase consideration to acquire 360 Capital Property Group is as follows:

	$'000
Cash paid	44,899
Securities issued at fair value	14,111
Total purchase consideration	59,010

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

	$'000
Assets	
Cash and cash equivalents	21,731
Receivables	6,697
Financial assets at fair value through profit or loss	53,325
Investment properties	163,262
Derivative financial instruments	219
Property, plant and equipment	25
Intangibles	5,000
Deferred tax assets	4,577
Other current assets	95
Liabilities	
Trade and other payables	(7,799)
Borrowings	(91,706)
Provisions	(9,941)
Deferred tax liabilities	(1,250)
Other current liabilities	(1,431)
Net identifiable assets acquired including external non-controlling interest	142,804
Less: External non-controlling interest	(74,473)
Net identifiable assets acquired excluding external non-controlling interest	68,331
Less: Gain on bargain purchase	(9,321)
Total purchase consideration	59,010

Note 32: Business combinations (continued)

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

A bargain on purchase of 360 Capital Property Group of $9.3 million has been recognised as income in the consolidated statement of profit or loss for the year. The bargain represents the difference between total purchase consideration and net identifiable assets acquired.

Revenue and profit contribution

The acquired business contributed revenues of $27.5 million and net profit after tax of $9.0 million (including $5.2 million in non-cash & significant items) to the Group from 2 October 2013 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, consolidated total revenue from continuing operations and the consolidated net profit after tax of the acquired business for the year ended 30 June 2014 would have been $36.3 million and $10.2 million (including $5.2 million in non-cash & significant items) respectively. These amounts have been calculated using the Group'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	44,899
Less: Cash and cash equivalents acquired	(21,731)
Outflow of cash to acquire subsidiary - including external non-controlling interest cash	23,168
Add: Direct costs relating to the acquisition	791
Total cash outflow to acquire subsidiary	23,959

Acquisition related costs

Acquisition related costs of $0.8 million incurred have been expensed in the consolidated statement of profit or loss and have been included as part of investing cash flows in the consolidated statement of cash flows.

Securities issued

As part of the acquisition, the Group issued 21,380,603 securities to Securityholders of 360 Capital Property Group who elected to take scrip. The fair value was determined to be $0.66 per security, being the closing price of securities on the ASX on the last trading day prior to completing the acquisition on 2 October 2013.

Intangibles

An intangible of $5.0 million, reflecting the value of the funds management rights acquired following the acquisition of 360 Capital Property Group, has been recognised during the year. This value has been updated from the provisional value of Nil initially recognised at 31 December 2013 and reflects greater certainty in assessing the value of the rights resulting from an internal review of operating costs, external benchmarking and transactional evidence. The $5.0 million has been recognised as income in the consolidated statement of profit or loss for the year and is included in the gain on bargain on purchase.

Note 33: Capital commitments and contingencies

Capital commitments
At 30 June 2014, the Group had no capital commitments (30 June 2013: no capital commitments) relating to the purchase of property, plant and equipment.

Contingencies
On 24 April 2013, a legal claim was lodged with the Federal Court against the Rhodes Joint Venture alleging Breach of Contract with respect to the sale of a Super Land Lot. Initial hearings and arbitration have been held with no resolution.

A wholly owned subsidiary, 360 Capital Retail Fund (refer to Note 32 and Note 35), has provided certain warranties in respect of the sale of the Inala Plaza Shopping Centre in favour of the Purchaser.

There are no other contingent liabilities as at 30 June 2014.

Note 34: Related party transactions

Parent entity
The legal parent entity is 360 Capital Group Limited

Controlled entities
Interests in controlled entities are set out in Note 35.

Key management personnel

Key management personnel of the Group include:

Executive director
Tony Robert Pitt, Managing Director

Other KMP
Ben James, Chief Investment Officer - Appointed 2 October 2013
Glenn Butterworth, Chief Financial Officer - Appointed 2 December 2013
Alan Sutton, Company Secretary - Appointed 2 October 2013
Peter Norris, Company Secretary - Redundant 20 December 2013

Compensation of key management personnel during the year was as follows:

	30 June 2014 $'000	30 June 2013 $'000
Short-term benefits	1,303	689
Post-employment benefits	59	36
Other long-term benefits	2	9
Termination benefits	21	134
Security based payments	369	-
Total compensation	1,754	868

Further disclosures relating to key management personnel are set out in the Remuneration report.

Note 34: Related party transactions (continued)

The following significant transactions occurred with related parties during the year:

Acquisition of 360 Capital Property Group
On 2 October 2013, the Group acquired 100% of 360 Capital Property Group through a scrip-for-scrip offer to 360 Capital Property Group Securityholders (with a cash election). 360 Capital Property Group was a diversified real estate investment and funds management business.

At the time of the acquisition, Mr Tony Robert Pitt was a substantial Securityholder and Non-Executive Director of the Group, and owned (through TT Investments Pty Limited) 21.1% of 360 Capital Property Group.

The acquisition was approved by Securityholders at an extraordinary general meeting held on 24 September 2013 following Independent Expert, Lonergan Edwards & Associates Limited, concluding that the acquisition was fair and reasonable for the Group's non-associated Securityholders. The Independent Committee of Directors (David van Aanholt & Graham Lenzner) established to oversee the due diligence and to consider the acquisition also recommended Securityholders vote in favour of the acquisition.

Refer to Note 32 for further information.

Acquisition of the Lawson Loan
On 29 November 2013, the Group acquired 100% of the Lawson Loan for $22.6 million. The Lawson Loan was a $27.4 million loan facility to 360 Capital Developments Income Fund. The Group owned 9.6% of 360 Capital Developments Income Fund and is also the Responsible Entity and Custodian of the Fund. The interest rate on the facility was 12% per annum and it was repaid in full in April 2014.

Waiver of management & performance fee income
In April 2014, the Group waived its entitlement to $8,626,937 in outstanding management & performance fee income from the 360 Capital Office Fund to assist with the Fund's restructure and subsequent listing on the ASX. The outstanding management fees had been provisioned as doubtful prior to the Group acquiring 360 Capital Property Group in October 2013. As at June 2014 the Group had recovered $500,000 of this amount.

Responsible Entity fees
360 Capital Investment Management Limited and 360 Capital RE Limited, wholly owned subsidiaries of the Group, acted as Responsible Entity and/or Custodian for a number of managed investment schemes in which the Group also held an investment. The Responsible Entities were acquired as part of the acquisition of 360 Capital Property Group in October 2013 (refer to Note 32).

A summary of fee income earned during the year from these managed investment schemes is provided below:

	30 June 2014 $'000	30 June 2013 $'000
360 Capital Canberra Trust	86	-
360 Capital Industrial Fund (ASX: TIX)	1,683	-
360 Capital Office Fund (ASX: TOF)	1,277	-
360 Capital Havelock House Property Trust	121	-
360 Capital Subiaco Square Property Trust	425	-
360 Capital Developments Income Fund	2,318	-
	5,910	-

Note 34: Related party transactions (continued)

Fee income includes Responsible Entity fees, Custodian fees, Performance fees, leasing fees and other recoveries. Amounts previously provided for as doubtful totalling $2.0 million were received from 360 Capital Developments Income Fund during the year.

The Responsible Entity is entitled to a management fee calculated in accordance with the Fund's constitution, which is either a percentage per annum of the gross asset value of the Fund or a percentage of the gross rental income of the Fund.

The performance fee relate to amounts payable to the Responsible Entity upon the sale of the investment property. The amount payable is based on a percentage of the property sale price and an additional performance fee calculated in accordance with the constitution.

Custodian fees are paid and calculated in accordance with the constitution at a rate of 0.05% of the gross assets.

A summary of performance fees receivable from these managed investment schemes is provided below:

	30 June 2014 $'000	30 June 2013 $'000
360 Capital Havelock House Property Trust	231	225
360 Capital Subiaco Square Property Trust	725	446
	956	671

A summary of distribution income earned during the year from these managed investment schemes is provided below:

	30 June 2014 $'000	30 June 2013 $'000
360 Capital Canberra Trust	-	-
360 Capital Industrial Fund (ASX: TIX)	2,011	-
360 Capital Office Fund (ASX: TOF)	827	-
360 Capital Havelock House Property Trust	175	-
360 Capital Subiaco Square Property Trust	121	-
360 Capital Development Income Fund	-	-
	3,134	-

For details of the Group's investment in the management investment schemes refer to Note 16.

Note 35: Controlled entities

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

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2014	Equity Holding 30 June 2013
TCG (Frances Park) Pty Limited	Australia	Ordinary	0%*	100%
Trafalgar Corporate (Sales) Pty Limited	Australia	Ordinary	0%*	100%
TCG (Bonnyrigg) Pty Limited	Australia	Ordinary	0%*	100%
Trafalgar Corporate Pty Limited (TCL)	Australia	Ordinary	100%	100%
TC Group Developments Pty Limited	Australia	Ordinary	100%	100%
TC Rhodes Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 2 Lessor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 2 Lessor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 2 Contractor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 2 Contractor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 4 Lessor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 4 Lessor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 4 Contractor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 4 Contractor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 6 Lessor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 6 Lessor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 6 Contractor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 6 Contractor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 7 Lessor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 7 Lessor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 7 Contractor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 7 Contractor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 8 Lessor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 8 Lessor Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 8 Contractor Holdings Pty Limited	Australia	Ordinary	100%	100%
TC RHB Stage 8 Contractor Pty Limited	Australia	Ordinary	100%	100%
TC Frances Park Pty Limited	Australia	Ordinary	0%*	100%
TC (TOF No. 5) Pty Limited	Australia	Ordinary	0%*	100%
TC Renewing Homebush Bay Pty Limited	Australia	Ordinary	100%	100%
TC (RHB) Pty Limited	Australia	Ordinary	100%	100%
Trafalgar Managed Investments Limited	Australia	Ordinary	100%	100%
Stapled entities				
360 Capital Investment Trust	Australia	Ordinary	Stapled	Stapled
Trafalgar Opportunity Fund No. 4	Australia	Ordinary	Stapled	Stapled
Trafalgar Twelve Four Finance Pty Limited	Australia	Ordinary	Stapled	Stapled
Trafalgar Twelve Four Note Issuer Pty Limited	Australia	Ordinary	Stapled	Stapled

* These controlled entities were wound up during the year.

Note 35: Controlled entities (continued)

Following the acquisition of 360 Capital Property Group (refer to Note 32), the Group acquired a 100% ownership interest in the following entities:

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2014	Equity Holding 30 June 2013
360 Capital Property Limited	Australia	Ordinary	100%	0%
360 Capital Financial Services Pty Limited	Australia	Ordinary	100%	0%
360 Capital RE Limited	Australia	Ordinary	100%	0%
360 Capital Investment Management Limited	Australia	Ordinary	100%	0%
BOPT Finance Pty Limited	Australia	Ordinary	100%	0%
360 Capital Custodian No.2 Pty Limited	Australia	Ordinary	100%	0%
360 Capital PS Management Pty Limited	Australia	Ordinary	100%	0%
360 Capital Properties No.1 Pty Limited	Australia	Ordinary	100%	0%
360 Capital Properties No.2 Pty Limited	Australia	Ordinary	100%	0%
360 Capital Canberra Pty Limited	Australia	Ordinary	100%	0%
BDIF Nominees Pty Limited	Australia	Ordinary	100%	0%
ACN 062 671 872 Pty Limited	Australia	Ordinary	100%	0%
360 Capital Institutional Investment Limited	Australia	Ordinary	100%	0%
360 Capital CMBS Pty Limited	Australia	Ordinary	100%	0%
BRPTS Portfolio No.1 Pty Limited	Australia	Ordinary	100%	0%
BRPT Finance Pty Limited	Australia	Ordinary	100%	0%
Stapled entities				
360 Capital Trust	Australia	Ordinary	100%	0%
360 Capital Retail Fund*	Australia	Ordinary	100%	0%

* A 37% indirect interest in the fund was acquired following the acquisition of 360 Capital Property Group. In February 2014, the Group increased its holding to a direct 100% interest in the fund.

Material non-controlling interests

The Group also acquired through the acquisition of 360 Capital Property Group, controlling interests in three other entities. The consolidated financial report includes the financial statements of the following subsidiaries controlled by the Group with a material non-controlling interest:

360 Capital 111 St George's Terrace Property Trust: The Group is deemed under AASB10 *Consolidated Financial Statements* to have control of the trust based upon the impact of a) the Group's role as Responsible Entity of the trust and b) the Group's 41% interest in the trust and the relative dispersion of the remaining interests not held by the Group.

Note 35: Controlled entities (continued)

Summarised financial information for the trust is as follows:

	30 June 2014 $'000
Current assets	1,948
Total assets	138,948
Current liabilities	2,139
Total liabilities	73,228
Total revenue	13,177
Total comprehensive income for the year	10,658
Net cash inflow from operating activities	4,076
Distributions paid to non-controlling interests	2,464

360 Capital Diversified Property Fund: The Group is deemed under AASB10 *Consolidated Financial Statements* to have control of the fund based upon the impact of a) the Group's role as Responsible Entity of the fund and b) the Group's 59% direct interest in the fund.

Summarised financial information for the fund is as follows:

	30 June 2014 $'000
Current assets	4,815
Total assets	62,858
Current liabilities	1,931
Total liabilities	60,927
Total revenue	9,803
Total comprehensive income for the year	2,149
Net cash inflow from operating activities	4,121
Distributions paid to non-controlling interests	537

360 Capital 441 Murray Street Property Trust: The Group is deemed under AASB10 *Consolidated Financial Statements* to have control of the trust based upon the impact of a) the Group's role as Responsible Entity of the trust and b) the Group's 36% indirect interest in the fund and the relative dispersion of the remaining interests not held by the Group.

Summarised financial information for the trust is as follows:

	30 June 2014 $'000
Current assets	386
Total assets	27,886
Current liabilities	10,710
Total liabilities	11,447
Total revenue	2,812
Total comprehensive income for the year	2,212
Net cash inflow from operating activities	1,128
Distributions paid to non-controlling interests	745

Note 36: Deed of cross guarantee

360 Capital Group Limited and its wholly owned subsidiary, 360 Capital Property Limited ("360CPL"), are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, 360CPL has been relieved from the requirement to prepare financial statements and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The net assets of 360CPL as at 30 June 2014 are $4.27 million, and the total assets are $16.20 million. The assets and liabilities of 360 Capital Group Limited are disclosed in Note 37.

Note 37: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Group Limited.

	30 June 2014 $'000	30 June 2013 $'000
Current assets	407	4,820
Non-current assets	51,700	6,424
Total assets	52,107	11,244
Current liabilities	397	11,651
Non-current liabilities	60,282	22,352
Total liabilities	60,679	34,003
Issued capital	3,961	(8,203)
Security based payments reserve	67	-
Accumulated losses	(12,600)	(14,556)
Total equity	(8,572)	(22,759)
Net profit/(loss) for the year	1,956	(2,712)
Total comprehensive income for the year	1,956	(2,712)

Parent entity contingencies

360 Capital Group Limited and its wholly owned subsidiary, 360 Capital Property Limited ("360CPL"), are parties to a deed of cross guarantee, refer to Note 36 for further information. There are no other contingencies at 30 June 2014 (2013: Nil).

Note 38: Events subsequent to balance date

Subsequent to balance date, and as a result of significant leasing at 44 Sydney Avenue, Canberra, the Responsible Entity recommended to Canberra Trust unitholders to approve the wind up of the Trust. This recommendation was approved by Trust unitholders at the meeting on 25 August 2014.

On the 13 August 2014, the Group made an offer to all of the unitholders in the 360 Capital Diversified Property Fund to purchase all of the units the Group does not already own at $0.25 per unit for total consideration of $21.5 million. This transaction is structured as a scheme of arrangement with Fund unitholders to vote on the proposal on 8 September 2014.

On 22 July 2014, the Group launched the 360 Capital AREIT Fund, a property securities fund managed by Damian Diamantopoulos as Head of Property Securities.

In August 2014, the Group also entered into exclusive due diligence to purchase a new neighbourhood shopping centre for approximately $21.9 million, with the Centre expected to be syndicated into a new Unlisted Trust to be launched in September 2014 and providing a template for further unlisted Trusts structured under 360 Capital's management.

In December 2013 the Group entered into a conditional sale contract for $4.3 million in relation to its Goulburn facility, and on 13 August 2014, the property was settled with net proceeds used to reduce the Group's drawn debt. As at 30 June 2014, the Group had a fully drawn $25 million debt facility with NAB, the Group reduced the amount drawn to $15.8 million via the application of excess cash and proceeds from the Goulburn sale.

360 Capital Group
Directors' declaration
For the year ended 30 June 2014

In the opinion of the Directors of 360 Capital Group:

1) The consolidated financial statements and notes that are set out on pages 33 to 94, and the Remuneration report contained in the Directors' report on pages 13 to 23, 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 2014 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 consolidated entity will be able to pay its debts as and when they become due and payable.

3) There are reasonable grounds to believe that the members of the closed group identified in Note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 36.

4) The Directors have given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2014.

5) The Directors draw attention to Note 1 (a) to the consolidated financial statements, which include 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
27 August 2014

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Independent auditor's report to the shareholders of 360 Capital Group Limited

Report on the Financial Report

We have audited the accompanying financial report of 360 Capital Group Limited ('the company'), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, 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 directors' declaration of the consolidated entity comprising the entity 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 company 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.

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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 company 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 Group Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2014 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.

Report on the remuneration report

We have audited the Remuneration Report of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 360 Capital Group Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
27 August 2014

360 Capital Group
Securityholder information
For the year ended 30 June 2014

Information below was prepared as at 4 August 2014

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
J P MORGAN NOMINEES AUSTRALIA LIMITED	29,466,028	11.848
TT INVESTMENTS PTY LTD <TT INVESTMENT A/C>	24,241,159	9.747
NATIONAL NOMINEES LIMITED	21,379,915	8.597
UBS NOMINEES PTY LTD	16,546,215	6.653
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	14,328,062	5.761
PENTAGON FINANCIAL SERVICES PTY LTD <PENTAGON INVESTMENT A/C>	13,579,009	5.460
WYLLIE GROUP PTY LTD <WYLLIE GROUP PTY LTD A/C>	12,474,576	5.016
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	9,669,034	3.888
TT INVESTMENTS PTY LTD <TT SUPER FUND A/C>	7,900,000	3.176
AUST EXECUTOR TRUSTEES LTD <LANYON AUST VALUE FUND>	6,676,002	2.684
BNP PARIBAS NOMS PTY LTD <DRP>	6,091,431	2.449
MR BEN JAMES	6,000,000	2.413
MR TONY PITT	6,000,000	2.413
SMALLCO INVESTMENT MANAGER LTD <THE CUT A/C>	5,757,889	2.315
CITICORP NOMINEES PTY LIMITED	4,032,106	1.621
NETWORK INVESTMENT HOLDINGS PTY LTD	2,000,000	0.804
MR GLENN BUTTERWORTH	1,750,000	0.704
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	1,739,621	0.699
PRUDENTIAL NOMINEES PTY LTD	1,500,000	0.603
REDAN STREET PTY LTD THE <TJW A/C>	1,500,000	0.603
Total securities held by Top 20 securityholders	**192,631,047**	**77.454**
Total securities on issue	**248,702,516**	**100.000**

b) Distribution of securityholders:

Number of securities held by unitholders	Number of holders	Securities held	% of issued securities
1 to 1,000	101	56,777	0.023
1,001 to 5,000	325	989,638	0.398
5,001 to 10,000	219	1,761,307	0.708
10,001 to 100,000	559	19,985,973	8.036
100,001 and over	114	225,908,821	90.835
Total	**1,318**	**248,702,516**	**100.000**

The total number of securityholders with less than a marketable parcel was 49 and they hold 8,535 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
Mr Tony R Pitt	27/02/2014	51,998,502	20.908
First Samuel Ltd	19/12/2013	19,441,966	7.817
LHC Capital Partners Pty Ltd	25/11/2013	16,154,908	6.496
Investors Mutual Ltd	3/10/2013	12,474,576	5.016
Wylie Group Pty Ltd	2/10/2013	12,474,576	5.016

360 Capital Group

Glossary

For the year ended 30 June 2014

Term	Definition
$ orA$ 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
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the market operated by it as the context requires
ASX Guidelines	The ASX Principles of Good Corporate Governance and Best Practice Guidelines
Board	Board of Directors of the 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
Earnings yield	Rate of return derived by dividing earnings per Unit by the price
FOS	Financial Ombudsman Service
Fund Investment Committee	The committee established to oversee the Fund’s investments, key recruitment and policies
FY	Financial year (1 July to 30 June)
Gross 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
Lender(s)	NAB and Bankwest
LVR	Loan to value ratio meaning interest bearing liabilities (excluding 360 Notes) divided by total property values
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
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
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
YTD	Year to date

Parent Entity
360 Capital Group Limited
ACN 113 569 136
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

Custodians
The Trust Company Limited
ACN 050 294 052
Level 15, 20 Bond Street Sydney NSW 2000

Australian Executor Trustees Limited
ACN 007 869 794
Level 22, 207 Kent Street Sydney NSW 2000

Share & Unit Registry
Boardroom Pty Limited
ACN 003 209 836
Level 7, 207 Kent Street Sydney NSW 2000
Telephone (02) 9290 9600 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

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360 Capital
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