

360 CAPITAL INVESTMENT TRUST



360 CAPITAL INVESTMENT TRUST

Financial Report For the year ended 30 June 2014

Comprising 360 Capital Investment Trust ARSN 104 552 598 and its controlled entities.

Contents	Page
Directors' report	2
Auditor's independence declaration	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the financial report	12
Directors' declaration	58
Independent auditor's report	59

360 Capital Investment Trust
Directors' report
For the year ended 30 June 2014

The Directors of 360 Capital Investment Management Limited, the Responsible Entity of 360 Capital Investment Trust ("Fund") present their report, together with the financial report of 360 Capital Investment Trust and its controlled entities ("consolidated entity") for the year ended 30 June 2014.

The consolidated entity forms part of the stapled entity, 360 Capital Group ("Stapled Group") (ASX Code: TGP) comprising 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities.

Directors

The following persons were Directors of 360 Capital Investment Management Limited, the Responsible Entity of 360 Capital Investment Trust, during the year and up to the date of this report unless otherwise stated:

David van Aanholt (Chairman)
Tony Robert Pitt
William John Ballhausen
Graham Ephraim Lenzner - Appointed 2 October 2013
Andrew Graeme Moffat

Acquisition of 360 Capital Property Group

Following Securityholder approval at an extraordinary general meeting held on 24 September 2013, the Stapled 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 Stapled Group;
- 3) Changed the name of Trafalgar Platinum Fund No.12 to 360 Capital Investment Trust;
- 4) The Responsible Entity of the Fund was changed from Trafalgar Managed Investments Limited to 360 Capital Investment Management Limited.

The name of the new Stapled Group is 360 Capital Group. The Stapled Group recommenced trading on the Australian Securities Exchange ("ASX") on 8 October 2013 as 360 Capital Group (ASX Code: TGP).

Principal activities

The principal activities of the consolidated entity during the course of the year were direct investments in commercial real estate and co-investments in the managed funds including loan investments in some of these funds.

There were no other significant changes in the nature of activities of the consolidated entity during the year.

Operating and financial review

The statutory profit to the unitholders of the consolidated entity for the year ended 30 June 2014 was \$8.0 million (2013: loss of \$6.7 million). The operating profit (profit before specific non-cash items and significant items) was \$9.6 million (2013: \$5.3 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 consolidated entity.

360 Capital Investment Trust
Directors' report
For the year ended 30 June 2014

Operating and financial review (continued)

The following table summarises key reconciling items between statutory profit attributable to the unitholders of the consolidated entity and operating profit. The operating profit information in the table has not been subject to any specific review procedures by the consolidated entity's auditor but has been extracted from Note 11 of the accompanying financial statements for the year ended 30 June 2014, which have been subject to audit; refer to page 59 for the auditor's report on the financial statements.

	Total core 30 June 2014 \$'000	Total core 30 June 2013 \$'000
Profit/(loss) attributable to the unitholders of the consolidated entity	7,997	(6,733)
<u>Specific non-cash items</u>		
Net gain on fair value of financial assets	(3,984)	-
Net loss on fair value of derivative financial instruments	14	-
Net loss on fair value of investment properties	5,345	8,906
Net loss on disposal of investment properties	-	20
Straight-lining of lease revenue and incentives	620	124
Impairment of related party loan	-	3,014
<u>Significant items</u>		
Gain on bargain purchase of 360 Capital Property Group	(1,057)	-
Business combination transaction expenses	688	-
Operating profit (profit before specific non-cash and significant items)	9,623	5,331

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

- Statutory net profit attributable to unitholders of the consolidated entity of \$8.0 million (2013: loss \$6.7 million)
- Operating profit of \$9.6 million (2013: \$5.3 million)
- Statutory Basic EPU of 4.19 cpu (2013: loss 7.89 cpu)
- Operating EPU of 5.05 cpu (2013: 6.25 cpu)
- Distributions of 5.00 cpu for FY14
- Net assets increased to \$126.3 million from \$38.1 million as at 30 June 2013
- NTA of \$0.56 per unit up from \$0.45 per unit as at 30 June 2013

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

- Stapled Group raised \$70.8 million through institutional placement at a 27% premium to the trading price
- Stapled Group acquired 360 Capital Property Group for \$59.0 million
- Refinance with new \$25.0 million loan facility
- Commenced asset repositioning and re-leasing strategy at the consolidated entity's Hurstville property
- Settlement of disposal of Granville property for \$5.3 million in August 2013
- Settlement of disposal of Goulburn property post year end in August 2014

360 Capital Investment Trust
Directors' report
For the year ended 30 June 2014

Financial results summary

The statutory profit attributable to unitholders for the financial year ended 30 June 2014 was \$8.0 million, equating to 4.19 cpu, a significant turnaround compared to the loss of \$6.7 million for FY14.

FY14 operating profit was 9.6 million up 81.1% on FY13, reflecting the growth in operating activities resulting from the acquisition of 360 Capital Property Group. The increase in operating earnings was primarily attributed to co-investment returns generated from the 360 Capital Property Group business post-acquisition.

The main difference between operating profit of 9.6 million and statutory profit of \$8.0 million was fair value movements in the consolidated entity's financial assets and investment properties and the gain on bargain purchase of 360 Capital Property Group.

As at 30 June 2014, the consolidated entity had a fully drawn \$25.0 million debt facility with NAB. Post 30 June 2014, the consolidated entity reduced the amount drawn to \$15.8 million via the application of excess cash and proceeds from the Goulburn sale.

Direct asset investments

During the year, the consolidated entity progressed its strategy of divesting its direct real estate investments and redeploying the capital into higher return on equity activities.

In August 2013, the consolidated entity settled the disposal of EDI building at Granville for \$5.3 million, reducing debt with the net proceeds.

In December 2013, the consolidated entity entered into a conditional sale contract for \$4.3 million in relation to its Goulburn facility. Post 30 June 2014, the property was settled with net proceeds used to reduce drawn debt.

The consolidated entity's major remaining direct asset, the ATO building at Hurstville is now being repositioned following the ATO's decision during the year 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 consolidated entity has appointed Colliers International to undertake the re-leasing campaign on the ATO building at Hurstville. 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 consolidated entity 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.

FY14 operating net profit from direct asset investment was \$5.8 million, up 9.4% on the prior year.

Co-investments in managed funds

As at 30 June 2014, the consolidated entity had \$96.3 million in co-investment assets including investments and loans. 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
- \$33.0 million representing a 21.5% 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 consolidated entity's co-investments generated \$3.8 million of the operating profit.

360 Capital Investment Trust
Directors' report
For the year ended 30 June 2014

Co-investments in managed funds (continued)

The consolidated entity has made an offer to all of the unitholders in the Diversified Property Fund to purchase all of the units the consolidated entity does not already own at \$0.25 per unit for a total consideration of \$21.2 million. Unitholder approval of this transaction on 8 September 2014 would result in unitholders gaining long sought-after liquidity and the Fund becoming wholly owned subsidiary of the consolidated entity, boosting co-investment by \$21.2 million.

The consolidated entity'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.

Distributions

Distributions declared by 360 Capital Investment Trust directly to unitholders during the year were as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
2.00 cents per unit paid on 14 November 2012	-	1,707
4.00 cents per unit paid on 13 March 2013	-	3,414
1.00 cent per unit paid on 31 July 2013	-	854
1.25 cents per unit paid on 24 October 2013	3,096	-
1.25 cents per unit paid on 28 January 2014	3,109	-
1.25 cents per unit paid on 24 April 2014	3,109	-
1.25 cents per unit paid on 24 July 2014	3,109	-
Total distributions per unit	12,423	5,975

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity 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

The consolidated entity continues to focus on rolling out its business plan. The consolidated entity remains well capitalised and will continue to maintain a "capital light" strategy, opting to grow earnings and distributions per unit in excess of its peers from this tight capital base.

The consolidated entity's NTA is expected to continue to increase mainly from the repositioning of the Hurstville property as well as increased value of the co-investment stakes due to continuing firming of property yields as local and overseas investors continue to chase well leased income producing properties.

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Environmental Issues

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

360 Capital Investment Trust
Directors' report
For the year ended 30 June 2014

Options

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

Indemnification and insurance of Officers

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as Officers of the Responsible Entity of the consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Officers of the Responsible Entity, other than conduct involving a wilful breach of duty in relation to the Responsible Entity.

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an Officer of the Responsible Entity.

Non-audit services

The auditor of the consolidated entity changed to Ernst & Young ("EY") from KPMG on 31 October 2013. Disclosed in Note 9 were the non-audit services provided by the consolidated entity'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 7 and forms part of the Directors' report for the year ended 30 June 2014.

Rounding of amounts

The consolidated entity 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
29 August 2014



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

In relation to our audit of the financial report of 360 Capital Investment Trust 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

Mark Conroy
Partner
29 August 2014

360 Capital Investment Trust

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

		30 June 2014 \$'000	30 June 2013 \$'000
	Note		
Revenue from continuing operations			
Rental from investment properties	4	7,618	9,041
Distributions from property funds	4	5,856	-
Finance revenue	4	1,186	121
Total revenue from continuing operations		14,660	9,162
Other income			
Gain on bargain purchase of 360 Capital Property Group	26	1,057	-
Net gain on fair value of financial assets	5	2,896	-
Other income	6	1,814	-
Total other income		5,767	-
Total revenue and other income from continuing operations		20,427	9,162
Investment property expenses	7	1,636	1,740
Responsible entity fees	28	361	377
Administration expenses		740	178
Finance expenses	8	1,143	1,660
Business combination transaction expenses	26	688	-
Net loss on sale of investment properties		-	20
Net loss on fair value of investment properties	15,17	5,345	8,906
Net loss on fair value of derivative financial instruments		14	-
Impairment of related party loan	28	-	3,014
Profit/(loss) for the year		10,500	(6,733)
Total comprehensive income attributable to:			
Profit/(loss) attributable to unitholders		7,997	(6,733)
Profit attributable to external non-controlling interests		2,503	-
Profit/(loss) for the year		10,500	(6,733)
Earnings per unit for profit/(loss) attributable to unitholders of the consolidated entity		Cents	Cents
Basic earnings per unit	10	4.19	(7.89)
Diluted earnings per unit	10	3.86	(7.89)

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

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

		30 June 2014 \$'000	30 June 2013 \$'000
	Note		
Current assets			
Cash and cash equivalents	12	5,648	1,932
Receivables	13	1,473	95
Financial assets at fair value through profit or loss	14	3,364	-
Assets held for sale	15	4,300	-
Other current assets	16	187	193
Total current assets		14,972	2,220
Non-current assets			
Financial assets at fair value through profit or loss	14	117,474	-
Investment properties	17	38,500	44,000
Due from related entities	28	-	4,331
Total non-current assets		155,974	48,331
Total assets		170,946	50,551
Current liabilities			
Trade and other payables	18	506	330
Borrowings	19	5,000	10,237
Derivative financial instruments	20	14	-
Provisions	21	3,448	854
Due to related entities	28	1,346	265
Other current liabilities	22	786	770
Total current liabilities		11,100	12,456
Non-current liabilities			
Borrowings	19	19,751	-
Total non-current liabilities		19,751	-
Total liabilities		30,851	12,456
Net assets		140,095	38,095
Equity			
Issued capital - trust units	23	152,453	71,508
Security based payments reserve		451	-
Accumulated losses		(37,839)	(33,413)
Total equity attributable to unitholders		115,065	38,095
External non-controlling interest		25,030	-
Total equity		140,095	38,095

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

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

		Issued capital - trust units \$'000	Security based payments reserve \$'000	Accumulated losses \$'000	Total equity attributable to unitholders \$'000	External non- controlling interest \$'000	Total equity \$'000
	Note						
Balance at 1 July 2013		71,508	-	(33,413)	38,095	-	38,095
Total comprehensive income for the year		-	-	7,997	7,997	2,503	10,500
Recognition of external non-controlling interest	26	-	-	-	-	23,553	23,553
Transactions with Unitholders in their capacity as Unitholders							
Issued units - Institutional equity raising	23	61,596	-	-	61,596	-	61,596
Issued units - Scrip-for-scrip	23	23,095	-	-	23,095	-	23,095
Issued units - Employee securities plan	23	-	451	-	451	-	451
Issued units - Redeemed		-	-	-	-	(8)	(8)
Equity raising transaction costs	23	(3,746)	-	-	(3,746)	-	(3,746)
Distributions	3	-	-	(12,423)	(12,423)	(1,018)	(13,441)
		80,945	451	(12,423)	68,973	(1,026)	67,947
Balance at 30 June 14		152,453	451	(37,839)	115,065	25,030	140,095
Balance at 1 July 2012		77,483	-	(26,680)	50,803	-	50,803
Total comprehensive income for the year		-	-	(6,733)	(6,733)	-	(6,733)
Transactions with Unitholders in their capacity as Unitholders							
Distributions	3	(5,975)	-	-	(5,975)	-	(5,975)
Balance at 30 June 2013		71,508	-	(33,413)	38,095	-	38,095

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

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

		30 June 2014 \$'000	30 June 2013 \$'000
	Note		
Cash flows from operating activities			
Cash receipts from customers		9,289	10,630
Cash payments to suppliers		(3,825)	(3,006)
Distributions received		5,147	-
Finance revenue		1,232	116
Other income received		1,592	-
Finance expenses		(1,372)	(1,540)
Net cash inflows from operating activities	25	12,063	6,200
Cash flows from investing activities			
Payments for investment properties and improvements		(15)	-
Proceeds from disposal of investment properties		-	14,452
Payments for financial assets		(42,148)	-
Proceeds from disposal of financial assets		14,969	-
Payments for subsidiaries - net of cash acquired	26	(36,515)	-
Payment of transaction costs to acquire subsidiaries	26	(688)	-
Net cash (outflows)/inflows from investing activities		(64,397)	14,452
Cash flows from financing activities			
Proceeds from borrowings		25,000	-
Repayment of borrowings		(28,217)	(22,301)
Amounts received from related parties		12,610	8,061
Proceeds from issue of capital		61,596	-
Payment of transaction costs to issue capital		(3,746)	-
Distributions paid to unitholders		(10,167)	(5,121)
Distributions paid to external non-controlling interests		(1,018)	-
Redemption of units from external non-controlling interests		(8)	-
Net cash inflows/(outflows) from financing activities		56,050	(19,361)
Net increase in cash and cash equivalents		3,716	1,291
Cash and cash equivalents at the beginning of the year		1,932	641
Cash and cash equivalents at the end of the year	12	5,648	1,932

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 1: Statement of significant accounting policies

a) Reporting entity

The financial report of 360 Capital Investment Trust comprises the consolidated financial statements of 360 Capital Investment Trust and its controlled entities. The consolidated entity forms part of the stapled entity, 360 Capital Group ("Stapled Group") (ASX Code: TGP) comprising 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.

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 consolidated entity 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 Investment Trust and its controlled entities are for-profit entities for the purpose of preparing the financial report.

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

The financial report is presented in Australian dollars.

The consolidated entity 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 consolidated entity has changed some of its accounting policies. The affected policies and standards that are applicable to the consolidated entity are:

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

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

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 consolidated entity. Following the acquisition of 360 Capital Property Group, the consolidated entity has reviewed its investments in other entities to determine which require consolidation under AASB 10. The following Fund has been consolidated into the consolidated entity's financial report:

- 360 Capital Diversified Property Fund

The application of AASB 10 results in all assets and liabilities held, income derived and expenses incurred by the entity detailed above (which under AASB 10 are deemed to be controlled by the consolidated entity) 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 consolidated entity's unitholders 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 consolidated entity.

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

Refer to Note 29 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 consolidated entity. AASB 13 also requires specific disclosures on fair values. The consolidated entity provides these disclosures in Note 24.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

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 (u).

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 consolidated entity.

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 30.

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 Stapled Group are entitled to an equal interest in each stapled entity.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

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 consolidated entity 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 consolidated entity 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 consolidated entity 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 Fund as at 30 June 2014 and the results of all subsidiaries for the period then ended.

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

The financial statements of 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 consolidated 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 consolidated entity.

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

e) Segment reporting

Segment information is presented in respect of the consolidated entity'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 consolidated entity'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 consolidated entity.

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:

Rental from investment properties

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

Distributions from property funds

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

Interest income

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

Other income

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

g) Finance expenses

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

h) Income tax

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

i) 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.

j) 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.

k) 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.

l) Financial instruments

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

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

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 consolidated entity 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 consolidated entity's documented investment strategy. The consolidated entity'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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

l) Financial instruments (continued)

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity 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 consolidated entity's right to receive payments is established.

Receivables

Refer to Note 1 (k).

Financial liabilities and equity

Financial liabilities and equity instruments issued by the consolidated entity 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 (l) and Note 1 (s) below.

Related party loans

Loans from and to related parties are unsecured, non-interest bearing and payable on demand unless otherwise specified.

Impairment

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

m) Assets held for sale

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

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

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

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

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

n) 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.

o) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. The significant interest rate risk arises from bank borrowings. The consolidated entity 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 consolidated entity 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.

p) Trade and other payables

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

q) 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 consolidated entity 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

r) Provisions

A provision is recognised in the statement of financial position when the consolidated entity 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.

s) Issued units

Issued units represent the amount of consideration received for units issued by the consolidated entity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

t) 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.

u) 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:

Valuation of investment properties

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

Impairment of assets

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

u) Critical judgements and significant accounting estimates (continued)

Financial assets at fair value through profit or loss

The fair value of investments which are not traded in an active market is determined by using valuation techniques. The Net Tangible Assets ('NTA') of the underlying Funds is used as a basis for valuation however may be amended as deemed appropriate. The consolidated entity 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.

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 consolidated entity makes judgements and estimates in assessing the net identifiable assets acquired. Refer to Note 26 for further information.

Control of entities

The Fund has consolidated the financial results of entities it is deemed to control under AASB10 *Consolidated Financial Statements*. Critical judgements are made by the Fund 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 29.

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 consolidated entity 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 consolidated entity.
- 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 consolidated entity.
- AASB 1031 – *Materiality (Effective January 1, 2014)*. The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework* (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 consolidated entity'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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 2: Financial risk management

Overview

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

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

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

a) Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The consolidated entity 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	5,648	1,932
Receivables	1,473	95
Financial assets at fair value through profit or loss	120,838	-
Loans due from related entities	-	4,331
Total	127,959	6,358

The consolidated entity 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 consolidated entity 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 consolidated entity's reputation.

The consolidated entity 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 24. There are no financial liabilities where the fair value would be materially different from the amortised cost. The amounts disclosed are based on undiscounted cash flows.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 2: Financial risk management (continued)

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 consolidated entity'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.

Interest rate risk

The consolidated entity's interest rate risk arises from borrowings and cash balances. Borrowings are at variable interest rates and expose the consolidated entity to cash flow interest rate risk. The consolidated entity 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 24.

Price risk

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

The investments within the consolidated entity 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 consolidated entity is in line with consolidated entity policies.

The consolidated entity'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 24.

Other markets risk

The consolidated entity 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 consolidated entity 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 consolidated entity manages its capital structure to safeguard the ability of the consolidated entity to continue as a going concern while maximising the return to unitholders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends and distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt.

For information on issued units refer to Note 23 and on borrowings refer to Note 19.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 3: Distributions and dividends

Distributions declared by 360 Capital Investment Trust directly to unitholders during the year were as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
2.00 cents per unit paid on 14 November 2012	-	1,707
4.00 cents per unit paid on 13 March 2013	-	3,414
1.00 cent per unit paid on 31 July 2013	-	854
1.25 cents per unit paid on 24 October 2013	3,096	-
1.25 cents per unit paid on 28 January 2014	3,109	-
1.25 cents per unit paid on 24 April 2014	3,109	-
1.25 cents per unit paid on 24 July 2014	3,109	-
Total distributions per unit	12,423	5,975

Note 4: Revenue

Rental from investment properties include:

	30 June 2014 \$'000	30 June 2013 \$'000
12 - 22 Woniora Road, Hurstville NSW	7,618	7,617
4 Mort Street, Canberra ACT	-	1,424
	7,618	9,041

4 Mort Street Canberra was sold in the prior year.

Distributions from property funds include:

	30 June 2014 \$'000	30 June 2013 \$'000
360 Capital Industrial Fund (ASX: TIX)	2,010	-
360 Capital Office Fund (ASX: TOF)	720	-
360 Capital 111 St Georges Terrace Property Trust	1,730	-
360 Capital 441 Murray Street Property Trust	413	-
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	-
	5,856	-

The above distributions are from investments acquired by the Group as part of the acquisition of 360 Capital Property Group. Refer to Note 26 for further information.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 4: Revenue (continued)

Finance revenue includes:

	30 June 2014 \$'000	30 June 2013 \$'000
Interest on bank accounts and term deposits	69	121
Interest on stamp duty refund	546	-
Interest on loans to related entities	571	-
	1,186	121

Refer to Note 28 for further information on loans to related entities.

Note 5: Net gain on fair value of financial assets

	30 June 2014 \$'000	30 June 2013 \$'000
Investments in property funds	2,896	-
	2,896	-

Refer to Note 14 for information on the fair value adjustments on Investments in property funds.

Note 6: Other income

	30 June 2014 \$'000	30 June 2013 \$'000
Stamp duty refund	1,587	-
Other	227	-
	1,814	-

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 Fund 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	1,351
158 Hume Street, Goulburn NSW	229	-
4 Mort Street, Canberra ACT	-	389
	1,636	1,740

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 8: Finance expenses

	30 June 2014 \$'000	30 June 2013 \$'000
Interest and finance charges paid and payable	849	1,521
Borrowing cost amortisation	294	139
	1,143	1,660

Note 9: Auditor's remuneration

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

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

	30 June 2014 \$	30 June 2013 \$
<u>Audit services - EY</u>		
Audit and review of financial reports	40,000	-
Other assurance services - compliance	7,450	-
	47,450	-
<u>Other services - EY</u>		
Taxation compliance services	21,800	-
Total auditor's remuneration - EY	69,250	-
<u>Audit services - KPMG</u>		
Audit and review of financial reports	-	51,000
	-	51,000
<u>Other services - KPMG</u>		
Taxation compliance services	-	10,761
Total auditor's remuneration - KPMG	-	61,761

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 10: Earnings per unit

	30 June 2014	30 June 2013
	¢	¢
Basic earnings per unit	4.19	(7.89)
Diluted earnings per unit	3.86	(7.89)
	\$'000	\$'000
Basic and diluted earnings		
Profit/(loss) attributable to unitholders of the consolidated entity used in calculating earnings per unit	7,997	(6,733)
	000's	000's
Weighted average number of units used as a denominator		
Weighted average number of units - basic	190,710	85,352
Weighted average number of units - diluted	206,999	85,352

Dilution

During the year 21,970,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plan ("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 23.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 11: Segment reporting

Segment information is presented in respect of the consolidated entity'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 consolidated entity's management and internal reporting structure and include:

- 1) Co-investment - providing income through distributions and capital growth in equity values
- 2) Direct asset investment - delivering stable rental cash flows

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

Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker of the consolidated entity. 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 and impairment adjustments. Significant one off items are also excluded.

Consolidation and eliminations

Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from the managed fund deemed to be controlled under AASB 10, being material non-controlling interests (refer to Note 26 and Note 29). The performance of this managed fund, is considered to be non-core and is reviewed separately to that of the performance of the 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 11: 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 \$'000	Direct asset investment \$'000	Total core \$'000	Consolidation & eliminations \$'000	Total \$'000
Net property income	-	6,602	6,602	-	6,602
Co-investment revenue	3,842	-	3,842	2,014	5,856
Finance revenue	-	571	571	546	1,117
Other income	-	-	-	5	5
Total revenue and other income	3,842	7,173	11,015	2,565	13,580
Operating expenses	19	499	518	583	1,101
Earnings before interest and tax (EBIT)	3,823	6,674	10,497	1,982	12,479
Net interest expense/(income)	(2)	876	874	200	1,074
Operating profit (before specific non-cash and significant items)	3,825	5,798	9,623	1,782	11,405
Weighted average number of units - basic ('000)			190,710		
Operating profit per unit (before specific non-cash and significant items) (EPU) - cents			5.05		
Number of units for distribution per unit (DPU) ('000)			248,703		
DPU - cents			5.00		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 31.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 11: 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 \$'000	Direct asset investment \$'000	Total core \$'000	Consolidation & eliminations \$'000	Total \$'000
Net property income	-	7,425	7,425	-	7,425
Co-investment revenue	-	-	-	-	-
Finance revenue	-	-	-	-	-
Other income	-	-	-	-	-
Total revenue and other income	-	7,425	7,425	-	7,425
Operating expenses	-	555	555	-	555
Earnings before interest and tax (EBIT)	-	6,870	6,870	-	6,870
Net interest expense	-	1,539	1,539	-	1,539
Operating profit (before specific non-cash and significant items)	-	5,331	5,331	-	5,331
Weighted average number of units - basic ('000)			85,352		
Operating profit per unit (before specific non-cash and significant items) (EPU) - cents			6.25		
Number of units for distribution per unit (DPU) ('000)			85,352		
DPU - cents			7.00		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 31.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 11: Segment reporting (continued)

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

	30 June 2014	30 June 2013
	\$'000	\$'000
Total revenue per segment report	13,580	7,425
Investment property expenses reported in net property income	1,636	1,740
Straight-lining of lease revenue and incentives ¹	(620)	(124)
Interest income	59	121
Other income	5	-
Total revenue in the statement of profit or loss	14,660	9,162
Gain on bargain purchase of 360 Capital Property Group	1,057	-
Net gain on fair value of financial assets	2,896	-
Other income ²	1,814	-
Total revenue and other income in the statement of profit or loss	20,427	9,162

1) Straight-lining of lease revenue and incentives of \$0.6 million is excluded from revenue in the segment report in order to disclose lease revenue on a cash basis.

2) 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 11: Segment reporting (continued)

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

	Total core	Total core	Total	Total
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) after tax attributable to unitholders	7,997	(6,733)		
Profit/(loss) for the year			10,500	(6,733)
Specific non-cash items				
Net loss on fair value of derivative financial instruments	14	-	14	-
Net gain on fair value of financial assets	(3,984)	-	(2,896)	-
Net loss on fair value of investment properties	5,345	8,906	5,345	8,906
Net loss on disposal of investment properties	-	20	-	20
Impairment of related party loan	-	3,014	-	3,014
Straight-lining of lease revenue and incentives	620	124	620	124
Significant items				
Other income	-	-	(1,809)	-
Gain on bargain purchase of 360 Capital Property Group	(1,057)	-	(1,057)	-
Business combination transaction expenses	688	-	688	-
Operating profit (before specific non-cash items and significant items)	9,623	5,331	11,405	5,331

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 11: Segment reporting (continued)

	Co-investment funds	Direct asset investment	Total core	Consolidation & eliminations	Total
As at 30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	219	4,731	4,950	698	5,648
Investment properties	-	38,500	38,500	-	38,500
Assets held for sale	-	4,300	4,300	-	4,300
Financial assets at fair value through the profit or loss	95,330	-	95,330	25,508	120,838
Other assets	2,254	208	2,462	(802)	1,660
Total assets	97,803	47,739	145,542	25,404	170,946
Liabilities					
Borrowings	-	24,755	24,755	(4)	24,751
Other liabilities	10	5,712	5,722	378	6,100
Total liabilities	10	30,467	30,477	374	30,851
Net assets	97,793	17,272	115,065	25,030	140,095
As at 30 June 2013					
Assets					
Cash and cash equivalents	-	1,932	1,932	-	1,932
Investment properties	-	44,000	44,000	-	44,000
Other assets	-	4,619	4,619	-	4,619
Total assets	-	50,551	50,551	-	50,551
Liabilities					
Borrowings	-	10,237	10,237	-	10,237
Other liabilities	-	2,219	2,219	-	2,219
Total liabilities	-	12,456	12,456	-	12,456
Net assets	-	38,095	38,095	-	38,095

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 12: Cash and cash equivalents

	30 June 2014 \$'000	30 June 2013 \$'000
Cash at bank	5,648	1,932
Cash and cash equivalents in the statement of cash flows	5,648	1,932

Note 13: Receivables

	30 June 2014 \$'000	30 June 2013 \$'000
Current		
Trade receivables	20	95
Distributions receivable	1,453	-
	1,473	95

a) Bad and doubtful trade receivables

During the year, the consolidated entity incurred \$Nil (2013: \$Nil) in respect of provisioning for bad and doubtful trade receivables in relation to lease income on investment properties.

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 24 for more information on the risk management policy of the consolidated entity.

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

	30 June 2014 \$'000	30 June 2013 \$'000
Current	1,473	95
1 to 3 months	-	-
More than 3 months	-	-
	1,473	95

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 14: 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 360 Capital Group	3,364	-
	3,364	-
Non-current		
Units in unlisted funds managed by 360 Capital Group	39,568	-
Units in listed funds managed by 360 Capital Group	65,678	-
Units in unlisted funds managed externally	12,228	-
	117,474	-
Total	120,838	-

The consolidated entity 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	-	32,136	-
360 Capital Office Fund (ASX: TOF)	21.80	-	33,542	-
360 Capital St Georges Terrace Property Trust	41.26	-	27,115	-
360 Capital 441 Murray Street Property Trust	35.65	-	5,860	-
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	-
			117,474	-
Total			120,838	-

As part of the acquisition of 360 Capital Property Group, the consolidated entity acquired \$87.4 million of investments in managed investment schemes (refer to Note 26).

The consolidated entity 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. In June 2014 the consolidated entity disposed of 2.5 million units in the 360 Capital Office Fund at \$2.00 per unit to its Responsible Entity, 360 Capital Investment Management Limited.

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. In June 2014, the Centuria Diversified Direct Property Fund and the Centuria Office Fund No.2 paid special distributions of 7.5 cents and 23.5 cents per unit respectively to unitholders. These special distributions have been treated as capital returns.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 14: Financial assets at fair value through the profit or loss (continued)

Certain funds in which the consolidated entity 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 was up for review in August 2014. The Responsible Entity recommended to Canberra Trust unitholders that they approve the wind up of the Trust. This was subsequently approved by Trust unitholders at the meeting on 25 August 2014.

Refer to Note 24 for fair value valuation techniques.

The consolidated entity 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	87,375	-
Financial assets acquired in Initial Public Offering	38,707	-
Financial assets acquired through dividend reinvestment	652	-
Financial assets acquired - other	2,789	-
Financial assets disposed	(11,581)	-
Fair value adjustment of financial assets	2,896	-
Closing balance	120,838	-

Note 15: Assets held for sale

	30 June 2014 \$'000	30 June 2013 \$'000
Investment property		
158 Hume Street, Goulburn NSW	4,300	-

This investment property is 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.

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	-	-
Financial assets acquired through the acquisition of Trafalgar Opportunity Fund No.4	4,750	-
Fair value adjustment of assets held for sale	(450)	-
Closing balance	4,300	-

a) Valuation basis

Assets held for sale are carried at fair value refer to Note 1 (m) for further information.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 16: Other current assets

	30 June 2014 \$'000	30 June 2013 \$'000
Prepayments	146	123
Other	41	70
	187	193

Note 17: Investment properties

	30 June 2014 \$'000	30 June 2013 \$'000
Balance at 1 July	44,000	67,500
Capitalised subsequent expenditures	15	-
Disposal of investment properties	-	(13,936)
Straight-lining of lease revenue and incentives	(620)	(658)
Fair value adjustment of investment properties	(4,895)	(8,906)
Closing balance	38,500	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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 17: Investment properties (continued)

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 24 for further information.

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

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

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

c) 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	4,992	7,851
Between 12 months and five years	-	4,992
Greater than five years	-	-
	4,992	12,843

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 17: Investment properties

	Date of acquisition	Book value		Capitalisation rate		Discount rate		Last external valuation	Valuation \$'000
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 %	30 June 2013 %	30 June 2014 %	30 June 2013 %		
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
Investment properties		38,500	44,000						38,500
Less: lease income receivable & incentives		(474)	(1,094)						
		38,026	42,906						

12-22 Woniora Road, Hurstville NSW

The consolidated entity 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 18: Trade and other payables

	30 June 2014 \$'000	30 June 2013 \$'000
Trade & GST payables	164	226
Accruals	339	104
Other payables	3	-
	506	330

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

Note 19: Borrowings

	30 June 2014 \$'000	30 June 2013 \$'000
Current		
Borrowings - secured	5,000	10,261
Capitalised borrowing costs	-	(24)
	5,000	10,237
Non-current		
Borrowings - secured	20,000	-
Capitalised borrowing costs	(249)	-
	19,751	-
Borrowings - secured		
Total facility limit	25,000	10,261
Used at end of reporting date	25,000	10,261
Unused at end of reporting date	-	-

a) Loan facilities summary

National Australia Bank facility - (360 Capital Investment Trust)

During the year, the consolidated entity 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 the funds have been used for the co-investment in the 360 Capital Office Fund (refer to Note 14). 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 17) and 158 Hume Street, Goulburn NSW (refer to Note 15). The consolidated entity 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.

Westpac Banking Corporation facility - (360 Capital Investment Trust)

The consolidated entity had a loan facility with Westpac Banking Corporation ("WBC"). The \$10.3 million facility was fully repaid during the year.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 19: Borrowings (continued)

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 consolidated entity 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 consolidated entity 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 Fund (refer to Note 26 and Note 29). The loan was fully repaid by the consolidated entity on 23 October 2013.

Note 20: Derivative financial instruments

	30 June 2014 \$'000	30 June 2013 \$'000
Current		
Interest rate swap contracts - fair value	14	-
Total	14	-

The consolidated entity utilises derivative financial instruments to hedge exposure to fluctuations in interest rates. Refer to Note 24 for further information on interest rate swap contracts.

a) Interest rate swap contracts

Interest-bearing liabilities of the consolidated entity carried a weighted average effective interest rate of 5.29% (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 consolidated entity. Accordingly, the consolidated entity has entered into an interest rate swap contract 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 2.77% (2013: N/A).

Swaps currently in place cover approximately 60.00% (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 contract is 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 21: Provisions

	30 June 2014 \$'000	30 June 2013 \$'000
Current		
Distributions payable to unitholders	3,109	854
Distributions payable to external non-controlling interest	339	-
	3,448	854

Note 22: Other current liabilities

	30 June 2014 \$'000	30 June 2013 \$'000
Rental income invoiced in advance	786	770
	786	770

Note 23: Equity

(a) Issued capital

	30 June 2014 000's	30 June 2013 000's
360 Capital Investment Trust - Ordinary units issued	226,733	85,352
	\$'000	\$'000
360 Capital Investment Trust - Ordinary units issued	152,453	71,508

(b) Movements in issued capital

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

	000's	\$'000
Opening balance at 1 July	85,352	71,508
1 October 2013 - Scrip for scrip offer	23,685	10,818
1 October 2013 - Unit consolidation	(23,685)	-
2 October 2013 - Institutional capital raising	120,000	61,596
2 October 2013 - Scrip for scrip offer	21,381	12,277
Transaction costs incurred in issuing capital	-	(3,746)
Closing balance at 30 June	226,733	152,453

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 23: Equity (continued)

(c) Employee Security Plan

During the year 21,970,000 securities were granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plan ("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 by the Stapled Group 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.

Under Australian Accounting Standards, securities issued under the 360 Capital Group 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 2014 \$'000
Total ordinary units disclosed	226,733	152,453
Issued units on 2 October 2013 - Employee security plan	20,970	-
Issued units on 1 November 2013 - Employee security plan	1,000	-
Total units issued on the ASX	248,703	152,453

The securities vest if the Stapled 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 Stapled Group has been transformed following the acquisition of 360 Capital Property Group (refer to Note 26), 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 Stapled Group has recognised \$0.52 million of security based payment expense in the statement of profit or loss. As the employees are employed by the Stapled Group and not the consolidated entity, this cost is not an expense of the consolidated entity. However the consolidated entity's proportionate share of issued capital, being \$0.45 million, has been recognised.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 24: Financial instruments

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

	Amortised cost \$'000	Fair value profit or loss \$'000
Financial assets		
Financial assets at fair value through profit or loss	-	117,474
Total non-current	-	117,474
Receivables	1,473	-
Financial assets at fair value through profit or loss	-	3,364
Total current	1,473	3,364
Total	1,473	120,838
Financial liabilities		
Borrowings	19,751	-
Total non-current	19,751	-
Trade and other payables	506	-
Borrowings	5,000	-
Due to related entities	1,346	-
Derivative financial instruments	-	14
Total current	6,852	14
Total	26,603	14

Risk management activities

Interest rate risk

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

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 24: 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						
<u>Financial assets</u>						
Cash and cash equivalents	5,648	-	-	-	-	5,648
Receivables	-	-	-	-	1,473	1,473
Financial assets at fair value through profit or loss	-	-	-	-	120,838	120,838
Total financial assets	5,648	-	-	-	122,311	127,959
Weighted average interest rate	2.55%					
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	506	506
Borrowings	10,000	15,000	-	-	-	25,000
Due to related entities	-	-	-	-	1,346	1,346
Derivative financial instruments	-	-	-	-	14	14
Total financial liabilities	10,000	15,000	-	-	1,866	26,866
Weighted average interest rate	5.25%	5.32%				
Net financial assets/(liabilities)	(4,352)	(15,000)	-	-	120,445	101,093
30 June 2013						
<u>Financial assets</u>						
Cash and cash equivalents	1,932	-	-	-	-	1,932
Receivables	-	-	-	-	95	95
Due from related entities	-	-	-	-	4,331	4,331
Total financial assets	1,932	-	-	-	4,426	6,358
Weighted average interest rate	2.60%					
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	-	330	330
Borrowings	10,261	-	-	-	-	10,261
Total financial liabilities	10,261	-	-	-	330	10,591
Weighted average interest rate	5.17%					
Net financial assets/(liabilities)	(8,329)	-	-	-	4,096	(4,233)

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 24: 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	506	506	506	-	-
Borrowings	25,000	26,343	6,079	20,264	-
	25,506	26,849	6,585	20,264	-
30 June 2013					
Trade and other payables	330	330	330	-	-
Borrowings	10,261	10,473	10,473	-	-
	10,591	10,803	10,803	-	-

Credit risk

The carrying amounts of financial assets included in the statement of financial position represent the consolidated entity'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 consolidated entity'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					
<u>Financial assets</u>					
Cash and cash equivalents	5,648	(56)	(56)	56	56
<u>Financial liabilities</u>					
Borrowings	25,000	100	100	(100)	(100)
Total increase/(decrease)		44	44	(44)	(44)
30 June 2013					
<u>Financial assets</u>					
Cash and cash equivalents	1,932	(19)	(19)	19	19
<u>Financial liabilities</u>					
Borrowings	10,261	103	103	(103)	(103)
Total increase/(decrease)		84	84	(84)	(84)

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 24: 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:

	Amortised cost \$'000	Fair value \$'000
Financial assets		
Financial assets at fair value through profit or loss	117,474	117,474
Total non-current	117,474	117,474
Receivables	1,473	1,473
Financial assets at fair value through profit or loss	3,364	3,364
Total current	4,837	4,837
Total	122,305	122,305
Financial liabilities		
Borrowings	19,751	20,000
Total non-current	19,751	20,000
Trade and other payables	506	506
Borrowings	5,000	5,000
Due to related entities	1,346	1,346
Derivative financial instruments	14	14
Total current	6,866	6,866
Total	26,617	26,866

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 consolidated entity determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 24: Financial instruments (continued)

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

	30 June 2014	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	120,838	65,678	-	55,160
Financial liabilities measured at fair value				
Derivative financial instruments	14	-	14	-

During the year, the consolidated entity's investment in the 360 Capital Office Fund moved from Level 3 to Level 1 following its listing on the ASX. Prior to the ASX listing, the consolidated entity held 87,207 units in the 360 Capital Office Fund valued at \$174,414. 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	30 June
	2014	2013
	\$'000	\$'000
Balance at 1 July	-	-
Financial assets acquired through the acquisition of 360 Capital Property Group	57,347	-
Financial assets transferred to Level 1	(174)	-
Financial assets disposed	(1,717)	-
Fair value adjustment of financial assets	(296)	-
Closing balance	55,160	-

Valuation techniques

Fair value profit or loss financial assets

For fair value profit or loss financial assets, the consolidated entity 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 17). 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 10.0%. The consolidated entity 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 consolidated entity 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 24: 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 25: 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	10,500	(6,733)
<u>Adjustment for:</u>		
Borrowing cost amortisation	131	127
Gain on bargain purchase of 360 Capital Property Group	(1,057)	-
Impairment of related party loan	-	3,014
Net gain on fair value of financial assets	(2,896)	-
Net loss on fair value of investment properties	5,345	8,906
Net loss on fair value of derivative financial instruments	14	-
Straight-lining of lease revenue and incentives	620	122
<u>Change in assets and liabilities</u>		
(Increase)/decrease in receivables and prepayments	(604)	925
Increase/(decrease) in creditors and accruals	10	(161)
Net cash inflows from operating activities	12,063	6,200

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 26: Business combinations

Acquisition of 360 Capital Property Group

Summary of acquisition

On 2 October 2013, the Stapled 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.

360 Capital Property Group was a stapled entity, comprising 360 Capital Property Limited and its controlled entities and 360 Capital Trust and its controlled entities. The consolidated entity acquired 100% of the issued units in 360 Capital Trust for consideration of \$51.34 million.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of 360 Capital Trust for the 9 month period from the acquisition date.

Details of the purchase consideration to acquire 360 Capital Trust is as follows:

	\$'000
Cash paid	39,062
Securities issued at fair value	12,277
Total purchase consideration	51,339

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

	\$'000
Assets	
Cash and cash equivalents	1,508
Receivables	4,152
Financial assets at fair value through profit or loss	87,375
Due from related entities	1,759
Liabilities	
Trade and other payables	(705)
Borrowings	(17,801)
Provisions	(339)
Net identifiable assets acquired including external non-controlling interest	75,949
Less: External non-controlling interest	(23,553)
Net identifiable assets acquired excluding external non-controlling interest	52,396
Less: Gain on bargain purchase	(1,057)
Total purchase consideration	51,339

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 Trust of \$1.06 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 26: Business combinations (continued)

Revenue and profit contribution

The acquired business contributed revenues of \$10.28 million and net profit of \$9.47 million (including \$4.57 million in non-cash & significant items) to the consolidated entity 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 of the acquired business for the year ended 30 June 2014 would have been \$13.24 million and \$11.23 million (including \$5.83 million in non-cash & significant items) respectively. These amounts have been calculated using the consolidated entity'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	39,062
Less: Cash and cash equivalents acquired	(1,508)
Outflow of cash to acquire subsidiary - including external non-controlling interest cash	37,554
Add: Direct costs relating to the acquisition	688
Total cash outflow to acquire subsidiary	38,242

Acquisition related costs

Acquisition related costs of \$0.7 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 Stapled 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.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 26: Business combinations (continued)

b) Acquisition of Trafalgar Opportunity Fund No.4

Summary of acquisition

On 1 October 2013, the consolidated entity acquired 100% of the issued units of Trafalgar Opportunity Fund No.4, an investment property trust, for consideration of \$10.8 million. Consideration paid to the unitholders was the equivalent of the fair value of net assets of Trafalgar Opportunity Fund No.4 at the time the purchase price was agreed.

Trafalgar Opportunity Fund No.4 was previously part of the stapled entity, Trafalgar Corporate Group, comprising the stapling together of 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 stapled entity was destapled.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Trafalgar Opportunity Fund No.4 for the 9 month period from the acquisition date.

Details of the purchase consideration to acquire Trafalgar Opportunity Fund No.4 is as follows:

	\$'000
Securities issued at fair value	10,818
Total purchase consideration	10,818

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

	\$'000
Assets	
Cash and cash equivalents	1,039
Receivables	55
Assets held for sale	4,750
Due from related entities	4,988
Other current assets	31
Liabilities	
Trade and other payables	(45)
Net identifiable assets acquired excluding external non-controlling interest	10,818
Less: Bargain on acquisition	-
Total purchase consideration	10,818

The fair value of receivables and other financial assets approximates the collectible amount.

Revenue and profit contribution

The acquired business contributed \$0.01 million and a net loss of \$0.73 million to the consolidated entity from 2 October 2013 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, total revenue and the net loss of the acquired business for the year ended 30 June 2014 would have been \$0.55 million and \$0.30 million respectively. These amounts have been calculated using the consolidated entity's accounting policies.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 26: Business combinations (continued)

Contingent consideration

There is no contingent consideration as part of this transaction.

Purchase consideration – cash outflow on acquisition

	\$'000
Cash consideration paid	-
Less: Cash and cash equivalents acquired	1,039
Inflow of cash to acquire subsidiary	1,039
Add: Direct costs relating to the acquisition	-
Total cash inflow to acquire subsidiary	1,039

Securities issued

As part of the acquisition, the consolidated entity issued 23.685 million securities to unitholders of Trafalgar Opportunity Fund No.4. The fair value was determined to be \$0.4567 per unit, being the net tangible assets of the Fund at the time of completing the acquisition.

Note 27: Capital commitments and contingencies

Capital commitments

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

Contingencies

A wholly owned subsidiary, 360 Capital Retail Fund, 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 28: Related party transactions

Parent entity

The legal parent entity is 360 Capital Investment Trust

Controlled entities

Interests in controlled entities are set out in Note 29.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 28: Related party transactions (continued)

Acquisition of 360 Capital Property Group

On 2 October 2013, the Stapled 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 Stapled 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 26 for further information.

Responsible Entity

During the year, the Responsible Entity of 360 Capital Investment Trust changed from Trafalgar Managed Investments Limited to 360 Capital Investment Management Limited, both are wholly owned subsidiaries of 360 Capital Group Limited.

Key management personnel

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

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

Directors

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

KMP

Tony Pitt, Managing Director
Ben James, Chief Investment Officer
Glenn Butterworth, Chief Financial Officer
Alan Sutton, Company Secretary

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 28: Related party transactions (continued)

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

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

Due from/(to) related entities

The following loans are outstanding with related parties at balance date:

	30 June 2014 \$'000	30 June 2013 \$'000
Non-current assets		
Loan to 360 Capital Group Limited	-	4,331
	-	4,331
Current liabilities		
Loan from 360 Capital Group Limited	(1,346)	-
Loan from Trafalgar Opportunity Fund No.4	-	(265)
	(1,346)	(265)

In November 2013, the consolidated entity lent 360 Capital Group Limited \$20 million (funded from the consolidated entity's NAB loan facility) to assist in the acquisition of the Lawson loan. 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. 360 Capital Group Limited repaid the loan in full in April 2014 as well as \$0.57 million in interest income (refer to Note 4). Interest charged reflects the cost the consolidated entity incurred from the NAB loan facility being finance charges at 5.3%.

360 Capital Group Limited used profits from the realisation of the Lawson loan to repay the \$4.33 million loan owing to the consolidated entity as at 30 June 2013. In the prior year, as a consequence of reviewing the recoverability of the loan to 360 Capital Group Limited, the Directors decided to further impair the portion considered to be unrecoverable. This impairment amounted to \$3.01 million. Total impairment of this loan is currently \$8.1 million.

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 28: Related party transactions (continued)

Related entity loans are unsecured and payable on demand. With the exception of the lending for the Lawson loan (as detailed above), all loans between related entities are non-interest bearing.

Responsible Entity

The Responsible Entity of the Fund was changed from Trafalgar Managed Investments Limited to 360 Capital Investment Management Limited on 2 October 2013, both entities are wholly owned subsidiaries of 360 Capital Group Limited.

Responsible Entity's fees

Responsible Entity fees paid during the year were as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
Management of the funds	361	377
	361	377

There are no amounts payable to related parties for management fees as at 30 June 2014 (30 June 2013: \$Nil).

Note 29: Controlled entities

Following the acquisition of 360 Capital Property Group (refer to Note 26), the consolidated entity acquired a 100% interest in 360 Capital Trust. 360 Capital Trust has various investments in listed and unlisted property based trusts (refer to Note 14).

The consolidated entity acquired a 100% interest in Trafalgar Opportunity Fund No.4 (refer to Note 26).

Material non-controlling interests

The consolidated entity also acquired, through the acquisition of 360 Capital Trust, material non-controlling interests in one entity. The consolidated interim financial report includes the financial statements of the following subsidiary controlled by the Fund with a material non-controlling interest:

360 Capital Diversified Property Fund: the Fund is deemed under AASB 10 *Consolidated Financial Statements* to have control of the 360 Capital Diversified Property Fund based upon the impact of the Fund's 59% direct interest in the property fund.

Summarised financial information for the 360 Capital Diversified Property Fund is as follows:

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

360 Capital Investment Trust
Notes to the financial report
For the year ended 30 June 2014

Note 30: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Investment Trust.

	30 June 2014 \$'000	30 June 2013 \$'000
Current assets	5,618	2,220
Non-current assets	138,628	48,331
Total assets	144,246	50,551
Current liabilities	16,439	12,456
Non-current liabilities	19,755	-
Total liabilities	36,194	12,456
Issued capital	152,453	71,508
Security based payments reserve	451	-
Accumulated losses	(44,852)	(33,413)
Total equity	108,052	38,095
Net profit/(loss) for the year	984	(6,733)
Total comprehensive income for the year	984	(6,733)

Parent entity contingencies

The parent entity does not have any contingencies as at 30 June 2014 (2013: Nil).

Note 31: 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 consolidated entity made an offer to all of the unitholders in the 360 Capital Diversified Property Fund to purchase all of the units the consolidated entity 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 360 Capital Diversified Fund unitholders to vote on the proposal on 8 September 2014.

In July 2014, the 360 Capital Group launched the 360 Capital AREIT Fund, a property securities fund managed by Damian Diamantopoulos as Head of Property Securities. The consolidated entity invested \$0.5 million in seed capital.

In December 2013 the consolidated entity 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 consolidated entity's drawn debt. As at 30 June 2014, the consolidated entity had a fully drawn \$25 million debt facility with NAB, the consolidated entity reduced the amount drawn to \$15.8 million via the application of excess cash and proceeds from the Goulburn sale.

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

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

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

- 1) The consolidated financial statements and notes that are set out on pages 8 to 57 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) 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.
- 4) The Directors draw attention to Note 1 (b) 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
29 August 2014



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Independent auditor's report to the unitholders of 360 Capital Investment Trust

Report on the Financial Report

We have audited the accompanying financial report of 360 Capital Investment Trust ('the Fund'), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the declaration of the directors of 360 Capital Investment Management Limited, the Responsible Entity of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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



Independence

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

Opinion

In our opinion:

- a. the financial report of 360 Capital Investment Trust 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.

Ernst & Young

Mark Conroy
Partner
Sydney
29 August 2014

