360 CAPITAL INVESTMENT TRUST

Interim Financial Report
For the half year ended 31 December 2013

Comprising 360 Capital Investment Trust (formerly Trafalgar Platinum Fund No.12) ARSN 104 552 598 and its controlled entities.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of 360 Capital Investment Trust (formerly Trafalgar Platinum Fund No.12) for the year ended 30 June 2013 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

360 Capital Investment Trust
Directors' report
For the half year ended 31 December 2013

The Directors of 360 Capital Investment Management Limited, the Responsible Entity of 360 Capital Investment Trust ("Fund") present their report, together with the interim financial report of 360 Capital Investment Trust and its controlled entities ("consolidated entity") for the half year ended 31 December 2013.

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 half year and up to the date of this report, unless otherwise stated:

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

Acquisition of 360 Capital Property Group
Following Securityholder approval at an extraordinary general meeting held on 24 September 2013, the 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 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;
5) 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.

Principal activities
The principal activities of the consolidated entity during the course of the half 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 half year.

Operating and financial review
The statutory profit to the unitholders of the consolidated entity for the half year ended 31 December 2013 was $0.38 million (December 2012: loss of $5.73 million). The operating profit (profit before specific non-cash items and significant items) was $4.08 million (December 2012: $2.59 million).

Operating and financial review (continued)

Operating profit is a financial measure which is not prescribed by Australian International Financial Reporting Standards ("AIFRS") and represents the profit under AIFRS adjusted for specific non-cash items and significant items. The Directors consider operating profit to reflect the core earnings of the consolidated entity.

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 Fund's auditor but has been extracted from Note 5 of the accompanying financial statements for the half year ended 31 December 2013, which have been subject to review; refer to page 39 for the auditor's review report on the financial statements.

	Total core 31 December 2013 $'000	Total core 31 December 2012 $'000
Profit/(loss) attributable to the unitholders of the consolidated entity	375	(5,728)
Specific non-cash items		
Net gain on fair value of financial assets	(1,872)	-
Net loss on fair value of investment properties	5,673	6,812
Straight-lining of lease revenue and incentives	277	173
Impairment of related party loan	-	1,333
Significant items		
Gain on bargain purchase of 360 Capital Property Group	(1,057)	-
Business combination transaction expenses	688	-
Other income	(5)	-
Operating profit (profit before specific non-cash and significant items)	**4,079**	**2,590**

The key financial highlights for the half year ended 31 December 2013 include:

- Statutory net profit of $0.38 million (2012: loss $5.73 million)
- Operating profit of $4.08 million (2012: $2.59)
- Statutory Basic EPU of 0.2 cpu (2012: loss 6.7 cpu)
- Operating EPU of 2.6 cpu (2012: 3.03 cpu)
- Distributions of 2.50 cpu
- Net assets increased to $113.9 million from $38.1 million as at June 2013
- NTA of $0.50 per Unit up from $0.45 per Unit as at 30 June 2013

The key achievements for the half year ended 31 December 2013 include:

- Stapled Group raised $70.8 million through institutional placement at 27% premium to trading price
- Stapled Group acquired 360 Capital Property Group for $59.0 million
- Refinance with new $20.0 million loan facility
- Conditionally exchanged contracts to dispose of Goulburn facility for $4.3 million

Financial results summary
The statutory profit attributable to unitholders for the six months ended 31 December 2013 was $0.38 million reflecting a significant turnaround compared to the loss of $5.73 million for the previous period.

The result for the current period was impacted by one-off gains including the "bargain purchase gain" of $1.06 million arising from the acquisition of 360 Capital Property Group in October 2013, reflecting a discount paid compared to net tangible assets acquired and net gain on financial assets of $1.87 million reflecting an increase in the value of investments held in the managed funds.

These one off gains were off-set by the revaluation of the consolidated entity's investment portfolio including the property at 12-22 Woniora Road, Hurstville NSW which resulted in a loss of $5.2 million (after lease amortisation) due to the major tenant (the ATO) deciding not to exercise an option to extend its lease and a $0.5 million reduction in the carrying value of the Goulburn asset reflecting the expected net proceeds from the conditional sale contract.

The underlying operating profit for the six months was $4.08 million up from $2.59 million in the prior corresponding period, reflecting the contribution from the consolidated entity's co-investment in its managed funds which comprised interest on loans and distributions from managed funds.

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

In December 2013 the consolidated entity entered into a conditional sale contract for $4.3 million in relation to its Goulburn facility, an asset that has previously been problematic to dispose of. The purchaser is an owner occupier currently going through a development application for the property prior to contract settlement. To date, the development application process has progressed well with completion of the sale expected prior to June 2014. Net proceeds from the sale will be used to further reduce debt and/or fund the refurbishment program for the Hurstville asset.

The consolidated entity's major remaining asset being the ATO building at Hurstville is now the subject of a repositioning program following the ATO's decision not to exercise its option to extend its lease as part of a change of ATO strategy and a major reorganisation of its national accommodation requirements. The consolidated entity had been in negotiations with the ATO to enter into a new lease over all but two floors of the building, and had started work about backfilling the remaining two floors.

However, in December 2013, the consolidated entity was notified that the ATO would be vacating the whole building with their lease expiring on 15 February 2015. The consolidated entity is working with the ATO who will start physically vacating the building in mid-2014. The ATO is working with the consolidated entity in this re-leasing campaign and has offered to relinquish space early so to allow for a smooth transition. The consolidated entity has appointed Colliers International to undertake the re-leasing campaign.

Net profit from direct asset investment for the full six months was $2.94 million, up from $2.59 million on prior period.

Co-investments in managed funds
As at 31 December 2013, the consolidated entity had $66.7 million in co-investments in and loans to its managed funds.

The equity co-investments comprised:
- $26.8 million representing a 40.8% stake in 360 Capital 111 St Georges Terrace Property Trust
- $33.8 million representing a 58.9% stake in 360 Capital Diversified Property Fund
- $1.8 million representing a 9.6% stake in 360 Capital Developments Income Fund

Co-investments in managed funds (continued)

The loan investments comprised:

- $4.3 million to the 360 Capital Diversified Property Fund.

The consolidated entity's co-investment in the 360 Capital 111 St Georges Terrace Property Trust performed well over HY14 with forecast FY14 distributions remaining on track to be 18.5% higher than FY13.

The consolidated entity's investment in the 360 Capital Diversified Property Fund is expected to continue to perform strongly with the 360 Capital Industrial Fund (which makes up approximately 50% of 360 Capital Diversified Property Fund's investments) recently announcing an earnings upgrade and a unit buy-back, which is expected to drive earnings and the NTA higher.

Post 31 December 2013, the $4.3m loan to the 360 Capital Diversified Property Fund was reduced by $2.3 million as a result of debt repayments.

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

	31 December 2013 $'000	31 December 2012 $'000
2.00 cents per unit paid on 14 November 2012	-	1,707
1.25 cents per unit paid on 24 October 2013	3,096	-
1.25 cents per unit paid on 24 January 2014	3,109	-
Total distributions per unit	6,205	1,707

Significant changes in state of affairs
In the opinion of the Directors, there were no significant changes in the state of affairs of 360 Capital Investment Trust that occurred during the half year under review other than those listed above or elsewhere in the Director's 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

On 9 January 2014, the unitholders of the 360 Capital Developments Income Fund passed a resolution effecting the Liquidity Proposal which will enable the 360 Capital Office Fund to restructure its debt and proceed toward an ASX listing.

On 9 January 2014, the unitholders of the 360 Capital Retail Fund, passed a resolution effecting a Proposal which enabled the Fund to acquire all of the units in the retail fund from the unitholders at a price of 1.6 cents per unit. The transaction was completed on the 18 February 2014 whereby the Fund acquired all the units of the retail fund.

On 20 February 2014, the Fund received a $2.25 million loan repayment from 360 Capital Diversified Property Fund, reducing the loan balance to $2.0 million.

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

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 half year ended 31 December 2013.

Rounding of amounts

360 Capital Investment Trust 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 interim financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Tony Robert Pitt
Director

Graham Ephraim Lenzner
Director

Sydney
27 February 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 review of the financial report of 360 Capital Investment Trust for the half-year ended 31 December 2013 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
27 February 2014

360 Capital Investment Trust

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012 $'000
Revenue from continuing operations			
Rental from investment properties		3,805	4,369
Distributions from property funds		1,703	-
Finance revenue		155	87
Total revenue from continuing operations		5,663	4,456
Other income			
Gain on bargain purchase of 360 Capital Property Group	13	1,057	-
Net gain on fair value of financial assets	8	562	-
Other income		1,605	-
Total other income		3,224	-
Total revenue from continuing operations and other income		8,887	4,456
Investment property expenses		845	855
Responsible entity fees		172	204
Administration expenses		306	41
Finance expenses	3	437	939
Business combination transaction expenses	13	688	-
Net loss on fair value of investment properties	6,7	5,673	6,812
Impairment of related party loan		-	1,333
Profit/(loss) for the half year		766	(5,728)
Other comprehensive income for the half year		-	-
Total comprehensive income for the half year		766	(5,728)
Total comprehensive income attributable to:			
Profit/(loss) attributable to unitholders		375	(5,728)
Profit attributable to external non-controlling interests		391	-
Profit/(loss) for the half year		766	(5,728)
Earnings per unit for profit/(loss) attributable to unitholders of the consolidated entity		Cents	Cents
Basic earnings per unit	4	0.2	(6.7)
Diluted earnings per unit	4	0.2	(6.7)

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

360 Capital Investment Trust

Consolidated interim statement of financial position

As at 31 December 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	12	2,614	1,932
Receivables		2,765	95
Financial assets at fair value through profit or loss	8	5,383	-
Assets held for sale	6	4,300	-
Due from related entities	15	25,119	-
Other current assets		135	193
Total current assets		40,316	2,220
Non-current assets			
Financial assets at fair value through profit or loss	8	83,205	-
Investment properties	7	38,500	44,000
Due from related entities	15	-	4,331
Total non-current assets		121,705	48,331
Total assets		162,021	50,551
Current liabilities			
Trade and other payables		780	330
Borrowings	9	-	10,237
Provisions		3,448	854
Due to related entities	15	-	265
Other current liabilities		649	770
Total current liabilities		4,877	12,456
Non-current liabilities			
Borrowings	9	19,645	-
Total non-current liabilities		19,645	-
Total liabilities		24,522	12,456
Net assets		137,499	38,095
Equity			
Issued capital - trust units	11	152,453	71,508
Security based payments reserve		687	-
Accumulated losses		(39,243)	(33,413)
Total equity attributable to unitholders		113,897	38,095
External non-controlling interest		23,602	-
Total equity		137,499	38,095

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

360 Capital Investment Trust
Consolidated interim statement of changes in equity
For the half year ended 31 December 2013

	Note	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
Balance at 1 July 2013		71,508	-	(33,413)	38,095	-	38,095
Total comprehensive income for the period		-	-	375	375	391	766
Acquisition of external non-controlling interest	13	-	-	-	-	23,553	23,553
Transactions with Unitholders in their capacity as Unitholders							
Issued units - Institutional equity raising	11	61,596	-	-	61,596	-	61,596
Issued units - Scrip-for-scrip	11	23,095	-	-	23,095	-	23,095
Issued units - Employee securities plan	11	-	150	-	150	-	150
Issued units - Redeemed		-	-	-	-	(3)	(3)
Equity raising transaction costs	11	(3,746)	-	-	(3,746)	-	(3,746)
Distributions	2	-	537	(6,205)	(5,668)	(339)	(6,007)
		80,945	687	(6,205)	75,427	(342)	75,085
Balance at 31 December 2013		152,453	687	(39,243)	113,897	23,602	137,499

	Note	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
Balance at 1 July 2012		77,483	-	(26,680)	50,803	-	50,803
Total comprehensive income for the period		-	-	(5,728)	(5,728)	-	(5,728)
Transactions with Unitholders in their capacity as Unitholders							
Distributions	2	(1,707)	-	-	(1,707)	-	(1,707)
Balance at 31 December 2012		75,776	-	(32,408)	43,368	-	43,368

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

360 Capital Investment Trust
Consolidated interim statement of cash flows
For the half year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities			
Cash receipts from customers		4,355	5,628
Cash payments to suppliers and employees		(1,500)	(1,448)
Dividends and distributions received		1,777	-
Finance revenue		34	87
Finance expenses		(964)	(862)
Net cash inflows from operating activities		**3,702**	**3,405**
Cash flows from investing activities			
Payments for financial assets		(652)	-
Proceeds from financial assets		3,388	-
Payments for subsidiaries - net of cash acquired	13	(36,515)	-
Payment of transaction costs to acquire subsidiaries	13	(688)	-
Net cash outflows from investing activities		**(34,467)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		20,000	-
Repayment of borrowings		(28,217)	(7,000)
Amounts paid to related parties		(14,156)	5,527
Proceeds from issue of capital		61,596	-
Payment of transaction costs to issue capital		(3,746)	-
Distributions paid to unitholders		(3,688)	(1,707)
Distributions paid to external non-controlling interests		(339)	-
Redemption of units from external non-controlling interests		(3)	-
Net cash inflows/(outflows) from financing activities		**31,447**	**(3,180)**
Net increase in cash and cash equivalents		682	225
Cash and cash equivalents at the beginning of the half year		1,932	641
Cash and cash equivalents at the end of the half year	12	**2,614**	**866**

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

Note 1: Statement of significant accounting policies

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The interim 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.

The interim financial report does not include all of the notes and information required for a full annual financial report and should be read in conjunction with the annual financial report of 360 Capital Investment Trust (formerly Trafalgar Platinum Fund No.12) for the year ended 30 June 2013 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the 360 Capital Investment Trust (formerly Trafalgar Platinum Fund No.12) as at and for the year ended 30 June 2013 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia or at www.360capital.com.au.

The accounting policies adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

a) 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

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.

Note 1: Statement of significant accounting policies (continued)

Prior to the acquisition of 360 Capital Property Group, AASB 10 had no impact on the Fund. Following the acquisition of 360 Capital Property Group, the Fund has reviewed its investments in other entities to determine which require consolidation under AASB 10. As a result of this review during the half year, the following entities have been consolidated into the interim financial report:

- 360 Capital Diversified Property Fund

The application of AASB 10 results in all assets and liabilities held, income derived and expense incurred by the entities detailed above (which under AASB 10 are deemed to be controlled by the consolidated entity) being included in the consolidated interim statement of financial position and the consolidated interim statement of profit or loss and other comprehensive income. Notwithstanding the presentation in the statement of financial position, the Fund unitholders have no direct exposure to liabilities nor do they have any rights over the specific assets of this fund and there is no impact on the net assets of the consolidated entity.

Refer to Note 16 for further information on consolidated entities.

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. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided.

Fair Value Measurement
AASB 13 establishes a single source of guidance under AASB 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 AASB 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 10.

b) 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) ("Company") and the units of 360 Capital Investment Trust (formerly Trafalgar Platinum Fund No.12) ("Trust") and Trafalgar Opportunity Fund No.4. Following approval at a Securityholder meeting held on 24 September 2013, Trafalgar Corporate 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.

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.

Note 1: Statement of significant accounting policies (continued)

c) Financial assets at fair value through profit or loss

Following the acquisition of 360 Capital Property Group, the consolidated entity advises its accounting policy for financial assets at fair value through profit or loss.

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

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the 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.

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 and other comprehensive income. 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 and other comprehensive income 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 and other comprehensive income as part of revenue from continuing operations when the consolidated entity's right to receive payments is established.

Note 2: Distributions

Distributions declared by the Fund directly to unitholders during the period were as follows:

	31 December 2013 $'000	31 December 2012 $'000
2.00 cents per unit paid on 14 November 2012	-	1,707
1.25 cents per unit paid on 24 October 2013	3,096	-
1.25 cents per unit paid on 24 January 2014	3,109	-
Total distributions per unit	6,205	1,707

Note 3: Finance expenses

	31 December 2013 $'000	31 December 2012 $'000
Interest and finance charges paid and payable	254	851
Borrowing cost amortisation	183	88
Total finance expenses	437	939

Note 4: Earnings per unit

	31 December 2013 ¢	31 December 2012 ¢
Basic earnings per unit	0.2	(6.7)
Diluted earnings per unit	0.2	(6.7)

	$'000	$'000
Basic and diluted earnings		
Profit/(loss) attributable to the unitholders of the consolidated entity used in calculating earnings per unit	375	(5,728)

	000's	000's
Weighted average number of units used as a denominator		
Weighted average number of units - basic	155,274	85,352
Weighted average number of units - diluted	165,976	85,352

Note 5: 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, impairment adjustments and straight-lining of lease revenues and incentives. Significant one off items are also excluded.

<u>Consolidation and eliminations</u>
Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from managed funds deemed to be controlled under AASB 10, being material non-controlling interests (refer to Note 1 and Note 16). The performance of these managed funds, which are operated as externally managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the consolidated entity's business segments.

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

Note 5: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2013 are as follows:

Half year ended 31 December 2013	Co-investment funds $'000	Direct asset investment $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Net property income	-	3,237	3,237	-	3,237
Co-investment revenue	1,049	-	1,049	654	1,703
Finance revenue	98	-	98	(98)	-
Total revenue and other income	1,147	3,237	4,384	556	4,940
Operating expenses	7	215	222	256	478
Earnings before interest and tax (EBIT)	1,140	3,022	4,162	300	4,462
Net interest expense	-	83	83	199	282
Operating profit (before specific non-cash and significant items)	1,140	2,939	4,079	101	4,180

Weighted average number of securities - basic ('000)	155,274
Operating profit per security (before specific non-cash and significant items) (EPS) - cents	2.63

Number of securities for distribution per security (DPS) ('000)	248,703
DPS - cents	2.50

Reconciliation of total segment revenue to total revenue in the statement of profit or loss and other comprehensive income is on page 20.

Note 5: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2012 are as follows:

Half year ended 31 December 2012	**Co-investment funds $'000**	**Direct asset investment $'000**	**Total core $'000**	**Consolidation & eliminations $'000**	**Total $'000**
Net property income	-	3,687	3,687	-	3,687
Co-investment revenue	-	-	-	-	-
Finance revenue	-	-	-	-	-
Total revenue and other income	-	3,687	3,687	-	3,687
Operating expenses	-	245	245	-	245
Earnings before interest and tax (EBIT)	-	3,442	3,442	-	3,442
Net interest expense	-	852	852	-	852
Operating profit (before specific non-cash and significant items)	-	2,590	2,590	-	2,590

Weighted average number of securities - basic ('000)	85,352
Operating profit per security (before specific non-cash and significant items) (EPS) - cents	3.03

Number of securities for distribution per security (DPS) ('000)	85,352
DPS - cents	2.00

Reconciliation of total segment revenue to total revenue in the statement of profit or loss and other comprehensive income is on page 20.

Note 5: Segment reporting (continued)

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

	31 December 2013 $'000	31 December 2012 $'000
Total revenue per segment report	4,940	3,687
Investment property expenses reported in net property revenue	845	855
Straight-lining of lease revenue and incentives [1]	(277)	(173)
Interest income	155	87
Total revenue in the statement of profit or loss and other comprehensive income	5,663	4,456
Gain on bargain purchase of 360 Capital Property Group	1,057	-
Net gain on fair value of financial assets	562	-
Other income [2]	1,605	-
Total revenue and other income in the statement of profit or loss and other comprehensive income	8,887	4,456

1) Straight-lining of lease revenue and incentives of $0.28 million is excluded from revenue in the segment report in order to disclose lease revenue on a cash basis.

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

Note 5: Segment reporting (continued)

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

	Total core 31 December 2013 $'000	Total core 31 December 2012 $'000	Total 31 December 2013 $'000	Total 31 December 2012 $'000
Profit/(loss) after tax attributable to unitholders	375	(5,728)		
Profit/(loss) for the half year			766	(5,728)
Specific non-cash items				
Net gain on fair value of financial assets	(1,872)	-	(562)	-
Net loss on fair value of investment properties	5,673	6,812	5,673	6,812
Impairment of related party loan	-	1,333	-	1,333
Straight-lining of lease revenue and incentives	277	173	277	173
Significant items				
Other income	(5)	-	(1,605)	-
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)	4,079	2,590	4,180	2,590

Note 5: Segment reporting (continued)

	Co-investment funds $'000	Direct asset investment $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
As at 31 December 2013					
Assets					
Cash and cash equivalents	188	1,934	2,122	492	2,614
Investment properties	-	42,800	42,800	-	42,800
Financial assets at fair value through the profit or loss	62,430	-	62,430	26,158	88,588
Other financial assets	4,250	-	4,250	(4,250)	-
Due from related entities	2,619	22,500	25,119	-	25,119
Other assets	589	630	1,219	1,681	2,900
Total assets	70,076	67,864	137,940	24,081	162,021
Liabilities					
Borrowings	-	19,658	19,658	(13)	19,645
Other liabilities	9	4,376	4,385	492	4,877
Total liabilities	9	24,034	24,043	479	24,522
Net assets	70,067	43,830	113,897	23,602	137,499

As at 31 December 2012					
Assets					
Cash and cash equivalents	-	866	866	-	866
Investment properties	-	60,516	60,516	-	60,516
Other financial assets	-	-	-	-	-
Due from related entities	-	8,281	8,281	-	8,281
Other assets	-	288	288	-	288
Total assets	-	69,951	69,951	-	69,951
Liabilities					
Borrowings	-	25,507	25,507	-	25,507
Other liabilities	-	1,076	1,076	-	1,076
Total liabilities	-	26,583	26,583	-	26,583
Net assets	-	43,368	43,368	-	43,368

Note 6: Assets held for sale

	31 December 2013 $'000	30 June 2013 $'000
Balance at 1 July	-	-
Properties 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	-

Investment property		
158 Hume Street, Goulburn NSW	4,300	-
	4,300	-

At balance date, 158 Hume Street, Goulburn NSW was subject to a conditional sales contract for $4.3 million. As such, the investment property is classified as an Asset held for sale in the statement of financial position as at 31 December 2013.

Note 7: Investment properties

	31 December 2013 $'000	30 June 2013 $'000
Balance at 1 July	44,000	67,500
Disposal of investment properties	-	(13,936)
Straight-lining of lease revenue and incentives	(277)	(658)
Fair value adjustment of investment properties	(5,223)	(8,906)
Closing balance	38,500	44,000

The consolidated entity held one investment property at balance date:

12-22 Woniora Road, Hurstville NSW

The Fund 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.

Note 7: Investment properties

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	31 Dec 2013 $'000	30 Jun 2013 $'000	31 Dec 2013 %	30 Jun 2013 %	31 Dec 2013 %	30 Jun 2013 %	Last external valuation	Valuation $'000
12-22 Woniora Road, Hurstville NSW	20-Jul-05	38,500	44,000	**9.25**	9.00	**10.25**	9.50	Dec-13	38,500
Total		38,500	44,000						
Less: lease income receivable and incentives		(816)	(1,094)						
		37,684	42,906						

Note 8: Financial assets at fair value through the profit or loss

	31 December 2013	30 June 2013
Current	**$'000**	**$'000**
Units in unlisted funds managed by 360 Capital Group	5,383	-
	5,383	-
Non-current		
Units in unlisted funds managed by 360 Capital Group	39,972	-
Units in listed funds managed by 360 Capital Group	29,686	-
Units in unlisted funds managed externally	13,547	-
	83,205	-
Total	88,588	-

The consolidated entity holds investments in the following managed investment schemes:

	31 December 2013 %	30 June 2013 %	31 December 2013 $'000	30 June 2013 $'000
Current				
360 Capital Canberra Trust	21.7	-	3,555	-
360 Capital Developments Income Fund	9.6	-	1,828	-
			5,383	-
Non-current				
360 Capital Industrial Fund	15.3	-	29,686	-
360 Capital 111 St George's Property Trust	41.3	-	27,467	-
360 Capital 441 Murray Street Property Trust	35.7	-	5,883	-
360 Capital Havelock House Property Trust	26.7	-	3,068	-
360 Capital Subiaco Square Property Trust	24.1	-	2,893	-
360 Capital Retail Fund	36.7	-	661	-
360 Capital Office Fund	43.8	-	-	-
Lachlan Property Income Fund	19.2	-	13,478	-
Centuria Office Fund No.2	1.2	-	69	-
			83,205	-
Total			88,588	-

The above investments were acquired by the consolidated entity as part of the acquisition of 360 Capital Property Group (refer to Note 13).

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. These funds include 360 Capital Canberra Trust and 360 Capital Developments Income Fund.

Investments held in Lachlan Property Income Fund and Centuria Office Fund No. 2 are managed externally.

Refer to Note 10 for fair value valuation techniques.

Note 8: Financial assets at fair value through the profit or loss (continued)

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

	31 December 2013 $'000	30 June 2013 $'000
Balance at 1 July	-	-
Financial assets acquired through the acquisition of 360 Capital Property Group	87,375	-
Reinvestment of 360 Capital Industrial Fund distributions	651	-
Fair value adjustment of financial assets	562	-
Closing balance	88,588	-

Note 9: Borrowings

	31 December 2013 $'000	30 June 2013 $'000
Current		
Borrowings – secured	-	10,261
Capitalised borrowing costs	-	(24)
	-	10,237
Non-current		
Borrowings – secured	20,000	-
Capitalised borrowing costs	(355)	-
	19,645	-
Borrowings - secured		
Total facility limit	20,000	10,261
Used at end of reporting date	20,000	10,261
Unused at end of reporting date	-	-

a) Loan facilities summary

National Australia Bank facility - (360 Capital Investment Trust)

During the period, the Fund established a new loan facility with National Australia Bank ("NAB"). The $20.0 million facility is fully drawn at balance date. The loan funds were 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. The facility is due to expire in September 2015. The facility is secured by a mortgage in favour of NAB over each core investment property held by the Fund and a fixed and floating charge over the assets of the Stapled Group. The facility is subject to floating interest rates at balance date. Subsequent to balance date, the Fund entered into 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.

Note 9: Borrowings (continued)

Westpac Banking Corporation facility - (360 Capital Investment Trust)

The Fund had a loan facility with Westpac Banking Corporation ("WBC"). The $10.3 million facility was fully repaid during the period.

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 (refer to Note 13), AMB Holdings Pty Limited, an original securityholder in 360 Capital Property Group, was owed $10.00 million. The loan was fully repaid by the Fund 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 (refer to Note 13), CVC Limited, an unrelated party, was owed $7.96 million by a controlled entity of the Fund (refer to Note 1a and Note 16). The loan was fully repaid by the consolidated entity on 23 October 2013.

Note 10: 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 31 December 2013:

	Loans and receivables $'000	Fair value profit or loss $'000
Financial assets		
Fair value profit or loss financial assets	-	83,205
Total non-current	-	83,205
Receivables	2,765	-
Fair value profit or loss financial assets	-	5,383
Due from related entities	25,119	-
Total current	27,884	5,383
Total	27,884	88,588
Financial liabilities		
Borrowings	19,645	-
Total non-current	19,645	-
Trade and other payables	780	-
Distributions payable	3,448	-
Total current	4,228	-
Total	23,873	-

Note 10: Financial instruments (continued)

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.

Fair values
Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	Carrying amount $'000	Fair value $'000
Financial assets		
Fair value profit or loss financial assets	83,205	83,205
Total non-current	83,205	83,205
Receivables	2,765	2,765
Fair value profit or loss financial assets	5,383	5,383
Due from related entities	25,119	25,119
Total current	33,267	33,267
Total	116,472	116,472
Financial liabilities		
Borrowings	19,645	20,000
Total non-current	19,645	20,000
Trade and other payables	780	780
Distributions payable	3,448	3,448
Total current	4,228	4,228
Total	23,873	24,228

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.

Note 10: Financial instruments (continued)

As at 31 December 2013, the consolidated entity held the following classes of financial instruments measured at fair value:

	31 December 2013 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Fair value profit or loss financial assets	88,588	29,686	-	58,902

During the six month period to 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

	31 December 2013 $'000	30 June 2013 $'000
Balance at 1 July	-	-
Financial assets acquired through the acquisition of 360 Capital Property Group	57,346	-
Fair value adjustment of financial assets	1,556	-
Closing balance	58,902	-

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. The value of each underlying unlisted investment is determined by using valuation techniques (including discounted cash flow model or price/earnings multiple model). 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 capitalisation rate as the key input. 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.

Sensitivity
The potential effect, using reasonable possible alternative assumptions (including changes in market rents and capitalisation rates), of a change in the investment property values held by the unlisted investments, of +/- 5%, would be an increase in fair values by up to $2.3 million or a decrease in fair values by up to $2.4 million.

Note 11: Equity

(a) Issued capital

	31 December 2013 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 Fund for the half year ended 31 December 2013 were as follows:

	000's	$'000
Opening balance at 1 July	85,352	71,508
1 October 2013 - Scrip for scrip offer	25,385	10,818
1 October 2013 - Unit consolidation	(25,385)	-
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 31 December	226,733	152,453

(c) Employee Security Plan

During the period 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 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, units 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 Stapled Group. Total ordinary units issued as detailed above is reconciled to units issued on the ASX as follows:

	31 December 2013 000's	30 June 2013 000's
Total ordinary units disclosed	226,733	85,352
2 October 2013 - Issued units under ESP	20,970	-
1 November 2013 - Issued units under ESP	1,000	-
Total units issued on the ASX	248,703	85,352

Note 11: Equity (continued)

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%

The grant date fair value of the securities issued under the ESP was $0.0998 per security. For the six months ended 31 December 2013, the Stapled Group has recognised $0.17 million of security based payment expense, of which $0.15 million related to the units issued by the consolidated entity. As the employees are employed by the Stapled Group and not the consolidated entity, this cost is not an expense of the consolidated entity.

Note 12: Cash and cash equivalents

Cash at the end of the half year as shown in the consolidated interim statement of cash flows is the same as the consolidated interim statement of financial position.

	31 December 2013 $'000	30 June 2013 $'000
Cash at bank	2,614	1,932
Cash and cash equivalents in the statement of cash flows	2,614	1,932

Note 13: Business combinations

a) Acquisition of 360 Capital Property Group

Summary of acquisition
On 2 October 2013, the Group acquired 100% of the issued securities of 360 Capital Property Group, a diversified real estate investment and funds management group, 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 Fund 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 interim consolidated financial statements include the results of 360 Capital Trust for the 3 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 provisional 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 respective share of net assets.

Note 13: Business combinations (continued)

A bargain on purchase of 360 Capital Trust of $1.06 million has been recognised as income in the consolidated interim statement of profit or loss and other comprehensive income for the half year. The bargain represents the difference between total purchase consideration and net identifiable assets acquired. The assessment of net identifiable assets and calculation of bargain on purchase is provisional as at 31 December 2013.

Revenue and profit contribution

The acquired business contributed revenues of $1.7 million and net profit of $0.4 million to the consolidated entity from 2 October 2013 to 31 December 2013.

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 half year ended 31 December 2013 would have been $3.6 million and $1.3 million 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 interim statement of profit or loss and other comprehensive income and have been included as part of investing cash flows in the consolidated interim 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.

Note 13: Business combinations (continued)

b) Acquisition of Trafalgar Opportunity Fund No.4

Summary of acquisition
On 1 October 2013, the Fund 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 net tangible 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 interim consolidated financial statements include the results of Trafalgar Opportunity Fund No.4 for the 3 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 provisional 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 no revenue and a net loss of $0.6 million to the consolidated entity from 2 October 2013 to 31 December 2013.

If the acquisition had occurred on 1 July 2013, total revenue and the net loss of the acquired business for the half year ended 31 December 2013 would have been $0.5 million and $0.2 million respectively. These amounts have been calculated using the consolidated entity's accounting policies.

Note 13: 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)
Outflow of cash to acquire subsidiary	(1,039)
Add: Direct costs relating to the acquisition	-
Total cash outflow to acquire subsidiary	(1,039)

Securities issued
As part of the acquisition, the Fund issued 25.385 million securities to unitholders of Trafalgar Opportunity Fund No.4. The fair value was determined to be $0.4262 per unit, being the net tangible assets of the Fund at the time of completing the acquisition.

Note 14: Capital commitments and contingencies

Capital commitments
At 31 December 2013, the consolidated entity had no capital commitments (30 June 2013: nil capital commitments) relating to the purchase of property, plant and equipment.

Contingencies
There are no contingent liabilities as at 31 December 2013.

Note 15: Related party transactions

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

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

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

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

Refer to Note 13 for further information.

Note 15: Related party transactions (continued)

Acquisition of the Lawson Loan

On 29 November 2013, the Stapled Group acquired 100% of the Lawson Loan for $22.6 million. The Lawson Loan is a $27.4 million loan facility to 360 Capital Developments Income Fund. The Fund owns 9.6% of the 360 Capital Developments Income Fund. The interest rate on the facility is 12% per annum and it expires in March 2014.

Due from/(to) related entities

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

	31 December 2013 $'000	30 June 2013 $'000
Current assets		
Loan to 360 Capital Group Limited	22,500	-
Loan to 360 Capital Property Limited	969	-
Loan to 360 Capital Financial Services Pty Limited	1,460	-
Loan to 360 Capital Investment Management Limited	190	-
	25,119	-
Non-current assets		
Loan to 360 Capital Group Limited	-	4,331
	-	4,331
Current liabilities		
Loan from Trafalgar Opportunity Fund No.4	-	(265)
	-	(265)

Loans to related parties are expected to be repaid within the next twelve months.

Note 16: Consolidated entities

Following the acquisition of 360 Capital Property Group (refer to Note 13), the Fund acquired a 100% interest in 360 Capital Trust. 360 Capital Trust has various investments in listed and unlisted property based trusts (refer to Note 10).

The Fund acquired a 100% interest in Trafalgar Opportunity Fund No.4 (refer to Note 13).

Material non-controlling interests

The Fund also acquired, through the acquisition of 360 Capital Trust, a controlling interest 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:

Note 16: Consolidated entities (continued)

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:

	31 December 2013 $'000
Total assets	62,778
Total liabilities	5,331
Total revenue	4,062
Profit for the period	3,181
Net cash inflow from operating activities	409
Distributions paid to non-controlling interests	679

Note 17: Events subsequent to balance date

On 9 January 2014, the unitholders of the 360 Capital Developments Income Fund passed a resolution effecting the Liquidity Proposal which will enable the 360 Capital Office Fund to restructure its debt and proceed toward an ASX listing.

On 9 January 2014, the unitholders of the 360 Capital Retail Fund, passed a resolution effecting a Proposal which enabled the Fund to acquire all of the units in the retail fund from the unitholders at a price of 1.6 cents per unit. The transaction was completed on the 18 February 2014 whereby the Fund acquired all the units of the retail fund.

On 20 February 2014, the Fund received a $2.25 million loan repayment from 360 Capital Diversified Property Fund, reducing the loan balance to $2.0 million.

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

360 Capital Investment Trust
Directors' declaration
For the half year ended 31 December 2013

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

(a) The consolidated financial statements and notes that are set out on pages 8 to 36 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 31 December 2013 and of its performance for the half year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting (including Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Tony Robert Pitt
Director

Graham Ephraim Lenzner
Director

Sydney
27 February 2014

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To the unitholders of 360 Capital Investment Trust

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of 360 Capital Investment Trust ('the Fund'), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of 360 Capital Investment Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 360 Capital Investment Trust and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 follows the Responsible Entity report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of 360 Capital Investment Trust is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
27 February 2014