360 CAPITAL INVESTMENT TRUST

Financial Report
For the year ended 30 June 2016

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

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The Directors of 360 Capital Investment Management Limited, the Responsible Entity of 360 Capital Investment Trust ("Trust") 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 2016.

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
Andrew Graeme Moffat

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 2016 was $ 21.2 million (2015: $20.9 million). The operating profit (profit before specific non-cash items and significant items) was $11.7 million (2015: $12.3 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.

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 3 of the accompanying financial statements for the year ended 30 June 2016, which have been subject to audit; refer to page 49 for the auditor's report on the financial statements.

	Total core 30 June 2016 $'000	Total core 30 June 2015 $'000
Profit attributable to the unitholders of the consolidated entity	**21,248**	**20,859**
Specific non-cash items		
Net gain on fair value of financial assets	(11,277)	(6,792)
Net loss on fair value of derivative financial instruments	1,607	1,608
Net (gain) on fair value of investment properties	-	(8,686)
Net loss on sale of investment properties	279	-
Net gain on disposal of financial assets	(1,500)	-
Straight-lining of lease revenue and incentives	-	474
Other items	19	316
Significant items		
Rent receivable adjustment	1,260	1,859
Subsidiary capital raising costs	47	2,688
Operating profit (before specific non-cash and significant items)	**11,683**	**12,326**

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

- Statutory net profit attributable to unitholders of $21.2 million (2015: $20.9 million)
- Operating profit of $11.7 million (2015: $12.3 million)
- Statutory Earnings per Unit (EPU) of 9.4 cpu (2015: 9.2 cpu)
- Distributions per Unit (DPU) increased to 6.25 cps (2015: 5.75 cpu)

The key operating achievements for the year ended 30 June 2016 include:

- Settlement of disposal of direct asset for $47.0 million repaying all bank debt at Group level
- Return on co-investments driven by redeployment of $15.5 million into TIX, $1.6 million into Havelock House
- Excess cash deployed to buy-back 9.1 million (3.6%) of Trust units

Financial results summary

Statutory results

The Trust's statutory net profit attributable to unitholders for the financial year ended 30 June 2016 was $21.2 million, a slight increase on the prior year result of $20.9 million. The statutory profit for the year ended 30 June 2016 was driven by an increase in revenue of $9.5 million reflecting increased property rental income from the consolidated managed fund and increase in and distributions from co-investments. The Trust also recognised $16.7 million of other income which was mainly due to $15.2 million of net gains on fair value of financial assets relating to increases in the values of the co-investments.

The Trust's statutory balance sheet as at 30 June 2016 contained gross assets of $259.6 million reflecting an increase of $20.1 million from 30 June 2015, with net assets increasing by $4.1 million to $140.5 million. Significant movements in the balance sheet include the settlement from the sale of the Hurstville property for $47.0 million previously held for sale, an increase of $31.5 million in financial assets relating to acquisition and revaluation of co-investments during the year and the repayment of the Groups $11.0 million bank debt facility.

Operating and segment results

Operating profit was $11.7 million a reduction from $12.3 million in the prior year, reflecting a reduction in net property income from the sale of the Hurstville property in September 2015. The reduction in net property income is offset by the growth in co-investment revenue up 43% to $16.5 million driven by additional investment.

Net interest expense, including interest on the Group's $75 million corporate bond issue, was $5.9 million, an increase on the prior year, reflecting a full 12 months' of interest on the bonds and interest from the bank debt facility repaid in September 2015.

The Trust's segment net assets increased by $3.7 million to $133.6 million reflecting the reinvestment of proceeds from the Hurstville property into co-investments and repayment of the Group's bank debt facility. The increase in co-investments to $210.2 million included $11.3 million in fair value gains during the year.

Capital management

As at 30 June 2016, the Trust's total borrowing were $76.8 million reflecting the carrying value of the 5 year unsecured notes, expiring in September 2019. The Trust has utilised surplus cash from recycling capital to buy-back 9.1 million or 3.6% of Trust units.

Direct property asset

In September 2015, the Trust settled the disposal of its last direct asset being 20 Woniora Road, Hurstville, NSW for a gross sale price of $47.0 million. The Trust received $1.2 million in rent for the three months to 30 September 2015.

The Trust utilised sale proceeds to repay all of its bank debt of $11.0 million and increase its co-investment in TIX by $15.5 million.

Summary and Outlook

The Trust as part of the Stapled Group will continue to maintain its "capital light" strategy, opting to grow earnings and distributions per security in excess of its peers from a tight capital base including where appropriate, capital management initiatives to enhance returns to securityholders. The Trust remains focused on growing its existing listed funds in a disciplined manner.

Distributions

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

	30 June 2016 $'000	30 June 2015 $'000
1.3125 cents per stapled security paid on 24 October 2014	-	3,264
1.4790 cents per stapled security paid on 27 January 2015	-	3,679
1.4790 cents per stapled security paid on 23 April 2015	-	3,678
1.4795 cents per stapled security paid on 27 July 2015	-	3,679
1.5625 cents per stapled security paid on 26 October 2015	3,867	-
1.5625 cents per stapled security paid on 28 January 2016	3,867	-
1.5625 cents per stapled security paid on 29 April 2016	3,830	-
1.5625 cents per stapled security paid on 27 July 2016	3,744	-
Total distributions per unit	**15,308**	**14,300**

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 due to 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.

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 and Directors

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as Officers of the Responsible Entity 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.

Indemnification of auditors

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit services

Disclosed in Note 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 2016.

Rounding of amounts

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

Building a better working world

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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

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

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
24 August 2016

360 Capital Investment Trust
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	30 June 2016 $'000	30 June 2015 $'000
Revenue from continuing operations			
Rental from investment properties	5	8,132	4,926
Distributions from property funds	5	14,011	11,933
Finance revenue		92	352
Total revenue from continuing operations		**22,235**	**17,211**
Other income			
Net gain on fair value of financial assets	6	15,202	7,920
Net gain on fair value of investment properties		-	9,608
Net gain on disposal of financial assets		1,500	-
Total other income		**16,702**	**17,528**
Total revenue and other income from continuing operations		**38,937**	**34,739**
Investment property expenses	7	3,338	1,083
Responsible entity fees	25	-	261
Administration expenses		508	822
Finance expenses	8	7,318	5,061
Subsidiary capital raising costs		-	2,688
Net loss on sales of investment properties		279	-
Net loss on fair value of investment properties		4,085	-
Net loss on fair value of derivative financial instruments		3,005	1,745
Profit for the year		**20,404**	**23,079**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**20,404**	**23,079**
Total comprehensive income attributable to:			
Profit attributable to unitholders		21,248	20,859
(Loss)/Profit attributable to external non-controlling interests		(844)	2,220
Total comprehensive income for the year		**20,404**	**23,079**
Earnings per unit for profit attributable to unitholders of the consolidated entity		**Cents**	**Cents**
Basic earnings per unit	10	9.4	9.2
Diluted earnings per unit	10	8.6	8.4

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 2016

	Note	30 June 2016 $'000	30 June 2015 $'000
Current assets			
Cash and cash equivalents	11	1,084	4,206
Receivables	12	2,817	2,487
Assets held for sale	14	-	47,000
Due from related entities	25	2,268	-
Other current assets		352	498
Total current assets		**6,521**	**54,191**
Non-current assets			
Financial assets at fair value through profit or loss	13	181,647	150,177
Investment properties	15	71,400	75,300
Total non-current assets		**253,047**	**225,477**
Total assets		**259,568**	**279,668**
Current liabilities			
Trade and other payables	16	2,048	3,443
Borrowings	17	-	11,000
Provisions	19	3,744	3,680
Due to related entities	25	-	8,501
Other current liabilities	20	171	7,827
Total current liabilities		**5,963**	**34,451**
Non-current liabilities			
Borrowings	17	111,537	108,620
Derivative financial instruments	18	1,535	137
Total non-current liabilities		**113,072**	**108,757**
Total liabilities		**119,035**	**143,208**
Net assets		**140,533**	**136,460**
Equity			
Issued capital - trust units	21	147,234	152,453
Accumulated losses		(18,586)	(25,200)
Total equity attributable to unitholders		**128,648**	**127,253**
External non-controlling interest		11,885	9,207
Total equity		**140,533**	**136,460**

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 2016

	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 2015		152,453	-	(25,200)	127,253	9,207	136,460
Total comprehensive income for the year		-	-	21,248	21,248	(844)	20,404
Recognition of external non-controlling interest		-	-	406	406	4,477	4,883
Transactions with Unitholders in their capacity as Unitholders		(5,219)	-	268	(4,951)	-	(4,951)
Equity raising transaction costs		-	-	-	-	(16)	(16)
Distributions		-	-	(15,308)	(15,308)	(939)	(16,247)
		(5,219)	-	(15,040)	(20,259)	(955)	(21,214)
Balance at 30 June 2016		**147,234**	**-**	**(18,586)**	**128,648**	**11,885**	**140,533**
Balance at 1 July 2014		152,453	451	(37,839)	115,065	25,030	140,095
Total comprehensive income for the year		-	-	20,859	20,859	2,220	23,079
Acquisition of non-controlling interest	26			5,478	5,478	(26,678)	(21,200)
Recognition of external non-controlling interest	26	-	-	602	602	9,681	10,283
Transactions with Unitholders in their capacity as Unitholders							
Issued shares/units-Redeemed		-	-	-	-	(6)	(6)
Security based payment transaction			(451)	-	(451)	-	(451)
Equity raising transaction costs		-	-	-	-	(602)	(602)
Distributions	4	-	-	(14,300)	(14,300)	(438)	(14,738)
			(451)	(14,300)	(14,751)	(1,046)	(15,797)
Balance at 30 June 2015		**152,453**	**-**	**(25,200)**	**127,253**	**9,207**	**136,460**

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 2016

	Note	30 June 2016 $'000	30 June 2015 $'000
Cash flows from operating activities			
Cash receipts from customers		8,923	6,081
Cash payments to suppliers		(5,954)	(840)
Distributions received		13,839	8,433
Finance revenue		92	352
Finance expenses		(6,808)	(3,650)
Net cash inflows from operating activities	23	**10,092**	**10,376**
Cash flows from investing activities			
Payments for investment properties and additions		(112)	(72,138)
Proceeds from disposal of investment properties		38,901	8,920
Payments for financial assets		(17,170)	(39,280)
Proceeds from disposal of financial assets		2,402	19,460
Payments for external non-controlling interest	26	-	(21,200)
Net cash inflows/(outflows) from investing activities		**24,021**	**(104,238)**
Cash flows from financing activities			
Proceeds from borrowings		800	109,077
Repayment of borrowings		(11,000)	(14,000)
Payments for borrowing costs		-	(1,849)
Amounts received from related parties		-	6,704
Loans to related parties		(8,786)	-
Payment for redemption of capital		(6,949)	-
Proceeds from disposal of units in subsidiary		4,883	9,681
Payment of transaction costs to issue capital		-	(2,688)
Distributions paid to unitholders		(15,244)	(14,069)
Distributions paid to external non-controlling interests		(939)	(436)
Net cash (outflows)/inflows from financing activities		**(37,235)**	**92,420**
Net decrease in cash and cash equivalents		(3,122)	(1,442)
Cash and cash equivalents at the beginning of the year		4,206	5,648
Cash and cash equivalents at the end of the year	11	**1,084**	**4,206**

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

Note 1: Basis of preparation

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 Instrument 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 Instrument, amounts in the financial report and Directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

d) Critical judgements and significant 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 years.

d) Critical judgements and significant accounting estimates (continued)

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

Valuation of investment properties
The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken at least once in a two year period. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 29 (l).

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.

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 29.

Business combinations – Goodwill
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.

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 29(b)). Further information on Controlled Entities is included in Note 26.

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 29(s).

The accounting policies set out in Note 29 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 27.

Note 2: 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 21 and on borrowings refer to Note 17.

Note 3: 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 rental cash flows, until the divestment of the consolidated entity's last remaining direct property asset in September 2015

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. 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 25 and Note 26). 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.

Note 3: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2016 are as follows:

Year ended 30 June 2016	Co-investment funds $'000	Direct asset investment $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Net property income	-	1,198	1,198	4,904	6,102
Co-investment revenue	16,512	-	16,512	(2,501)	14,011
Finance revenue	-	-	-	-	-
Total revenue and other income	**16,512**	**1,198**	**17,710**	2,403	20,113
Operating expenses	146	5	151	146	297
Earnings before interest and tax (EBIT)	**16,366**	**1,193**	**17,559**	2,257	19,816
Net interest expense	5,666	210	5,876	1,350	7,226
Operating profit (before specific non-cash and significant items)	**10,700**	**983**	**11,683**	907	12,590

Weighted average number of units - basic ('000)			226,492		
Operating profit per unit (before specific non-cash and significant items) (EPS) - cents			**5.2**		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 16.

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2015 are as follows:

Year ended 30 June 2015	Co-investment funds $'000	Direct asset investment $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Net property income	-	6,060	6,060	116	6,176
Co-investment revenue	11,527	-	11,527	406	11,933
Finance revenue	27	-	27	(27)	-
Other income	-	-	-		-
Total revenue and other income	11,554	6,060	17,614	495	18,109
Operating expenses	118	411	529	194	723
Earnings before interest and tax (EBIT)	11,436	5,649	17,085	301	17,386
Net interest expense	4,463	296	4,759	(51)	4,708
Operating profit (before specific non-cash and significant items)	6,973	5,353	12,326	352	12,678

Weighted average number of units - basic ('000)			226,733		
Operating profit per unit (before specific non-cash and significant items) (EPS) - cents			5.4		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 16.

Note 3: Segment reporting (continued)

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

	30 June 2016 $'000	30 June 2015 $'000
Total revenue per segment report	20,175	18,109
Investment property expenses reported in net property income	3,338	1,083
Straight-lining of lease revenue and incentives 1	(110)	(474)
Interest income	92	352
Rent receivable adjustment 2	(1,260)	(1,859)
Total revenue in the statement of profit or loss	22,235	17,211
Net gain on fair value of financial assets	15,202	7,920
Net gain on disposal of financial assets	1,500	-
Net gain on fair value of investment properties	-	9,608
Total revenue and other income in the statement of profit or loss	**38,937**	34,739

1) Straight-lining of lease revenue and incentives of $0.1 million is excluded from revenue in the segment report in order to disclose lease revenue on a cash basis.
2) Rent receivable adjustment of $1.3 million relates to rent received on the Hurtsville investment property from the purchaser. The purchaser leased the entire building from the expiry of the ATO lease in February 2015 until settlement on 30 September 2015, with the sale price to be reduced by any rental payments under the lease. Rent received is recorded as a liability for statutory reporting purposes.

Reconciliation of statutory profit to operating profit for the year is as follows:

	Total core 30 June 2016 $'000	Total core 30 June 2015 $'000	Total 30 June 2016 $'000	Total 30 June 2015 $'000
Profit after tax attributable to unitholders	21,248	20,859	-	-
Profit for the year	-	-	20,404	23,079
Specific non-cash items				
Net loss on fair value of derivative financial instruments	1,607	1,608	3,005	1,790
Net gain on fair value of financial assets	(11,277)	(6,792)	(15,119)	(7,920)
Net (gain)/loss on fair value of investment properties	-	(8,686)	4,085	(9,608)
Net loss on sale of investment properties	279	-	279	-
Net gain on disposal of financial assets	(1,500)	-	(1,500)	-
Straight-lining of lease revenue and incentives	-	474	110	474
Other items	19	316	19	316
Significant items				
Subsidiary capital raising costs	47	2,688	47	2,688
Rent receivable adjustment	1,260	1,859	1,260	1,859
Operating profit (before specific non-cash items and significant items)	**11,683**	12,326	**12,590**	12,678

Note 3: Segment reporting (continued)

As at 30 June 2016	Co-investment funds $'000	Direct asset investment $'000	Total core $'000	Consolidation& eliminations $'000	Total $'000
Assets					
Cash and cash equivalents	492	-	492	592	1,084
Investment properties	-	-	-	71,400	71,400
Financial assets at fair value through the profit or loss	210,191	-	210,191	(28,544)	181,647
Other assets	5,117	-	5,117	320	5,437
Total assets	215,800	-	**215,800**	43,768	259,568
Liabilities					
Borrowings	76,812	-	76,812	34,725	111,537
Other liabilities	5,356	-	5,356	2,142	7,498
Total liabilities	82,168	-	**82,168**	36,867	119,035
Net assets	**133,632**	**-**	**133,632**	6,901	140,533
As at 30 June 2015					
Assets					
Cash and cash equivalents	2,894	269	3,164	1,042	4,206
Investment properties	-	-	-	75,300	75,300
Assets held for sale	-	47,000	47,000	-	47,000
Financial assets at fair value through the profit or loss	184,201	-	184,201	(34,024)	150,177
Other assets	2,787	161	2,948	37	2,985
Total assets	189,882	47,430	237,313	42,355	279,668
Liabilities					
Borrowings	85,713	-	85,713	33,907	119,620
Other liabilities	653	21,055	21,708	1,880	23,588
Total liabilities	86,366	21,055	107,421	35,787	143,208
Net assets	103,516	26,375	129,891	6,568	136,460

Note 4: Distributions and dividends

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

	30 June 2016 $'000	**30 June 2015 $'000**
1.3125 cents per stapled security paid on 24 October 2014	-	3,264
1.4790 cents per stapled security paid on 27 January 2015	-	3,679
1.4790 cents per stapled security paid on 23 April 2015	-	3,678
1.4795 cents per stapled security paid on 27 July 2015	-	3,679
1.5625 cents per stapled security paid on 26 October 2015	3,867	-
1.5625 cents per stapled security paid on 28 January 2016	3,867	-
1.5625 cents per stapled security paid on 29 April 2016	3,830	-
1.5625 cents per stapled security paid on 27 July 2016	3,744	-
Total distributions per unit	**15,308**	14,300

Note 5: Revenue

Rental from investment properties include:

	30 June 2016 $'000	**30 June 2015 $'000**
12 - 22 Woniora Road, Hurstville NSW	-	4,757
Windsor Marketplace, Sydney NSW	2,090	113
City Centre Plaza, Rockhampton QLD	6,042	56
	8,132	4,926

The sale of 12-22 Woniora Road, Hurstville NSW settled on 25 September 2015. Windsor Marketplace, Sydney NSW and City Centre Plaza, Rockhampton QLD were acquired through the consolidation of 360 Capital Retail Fund No.1 into the 360 Capital Investment Trust in June 2015. Refer to Note 15 for further information.

Note 5: Revenue (continued)

Distributions from property funds include:

	30 June 2016 $'000	30 June 2015 $'000
360 Capital Industrial Fund (ASX: TIX)	6,884	3,807
360 Capital Office Fund (ASX: TOF)	3,157	3,147
Australian Industrial REIT (ASX: ANI)	-	1,068
360 Capital 111 St Georges Terrace Property Trust	2,613	2,487
360 Capital 441 Murray Street Property Trust	612	568
360 Capital Havelock House Property Trust	289	245
360 Capital Subiaco Square Property Trust	438	305
Centuria Diversified Direct Property Fund	-	268
Centuria Office Fund No.2	-	2
360 Capital AREIT Fund	18	36
	14,011	11,933

Note 6: Net gain on fair value of financial assets

	30 June 2016 $'000	30 June 2015 $'000
Investments in property funds	15,202	7,920
	15,202	7,920

Refer to Note 13 for information on the fair value adjustments on Investments in property funds.

Note 7: Investment property expenses

	30 June 2016 $'000	30 June 2015 $'000
12 - 22 Woniora Road, Hurstville NSW	55	988
158 Hume Street, Goulburn NSW	7	43
Windsor marketplace, Sydney NSW	691	47
City Centre Plaza, Rockhampton QLD	2,585	5
	3,338	1,083

Note 8: Finance expenses

	30 June 2016 $'000	30 June 2015 $'000
Interest and finance charges paid and payable	6,690	4,307
Borrowing cost amortisation	628	754
	7,318	5,061

Note 9: Auditor's remuneration

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

	30 June 2016 $	30 June 2015 $
Audit services – Ernst & Young		
Audit and review of financial reports	41,500	33,000
Other assurance services - compliance	6,760	6,650
	48,260	39,650
Other services – Ernst & Young		
Taxation compliance services	61,050	25,300
Total auditor's remuneration	**109,310**	64,950

Note 10: Earnings per unit

	30 June 2016 ¢	30 June 2015 ¢
Basic earnings per unit	**9.4**	9.2
Diluted earnings per unit	**8.6**	8.4

	$'000	$'000
Basic and diluted earnings		
Profit attributable to unitholders of the consolidated entity used in calculating earnings per unit	21,248	20,859

	000's	000's
Weighted average number of units used as a denominator		
Weighted average number of units - basic	226,492	226,733
Weighted average number of units - diluted	246,760	248,703

Dilution

During the year ended 30 June 2014, 21,970,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plan ("ESP"). During the year ended 30 June 2016, the consolidated entity bought back and cancelled 3,600,000 of these securities. 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 21.

Note 11: Cash and cash equivalents

	30 June 2016 $'000	30 June 2015 $'000
Cash at bank	1,084	4,206
Cash and cash equivalents in the statement of cash flows	**1,084**	4,206

Note 12: Receivables

	30 June 2016 $'000	30 June 2015 $'000
Current		
Trade receivables	229	72
Distributions receivable	2,588	2,415
	2,817	2,487

a) Bad and doubtful trade receivables
During the year, the consolidated entity incurred $6,068 (2015: $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 22 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 2016 $'000	30 June 2015 $'000
Current	1,041	2,487
1 to 3 months	1,746	-
More than 3 months	30	-
	2,817	2,487

As at 30 June 2016, trade receivables of $35,971 (2015: $Nil) were past due but not impaired.

Note 13: Financial assets at fair value through profit or loss

	30 June 2016 $'000	30 June 2015 $'000
Non-current		
Units in unlisted funds managed by 360 Capital Group	49,033	46,749
Units in listed funds managed by 360 Capital Group	132,614	103,063
Units in unlisted funds managed externally	-	365
	181,647	150,177
Total	**181,647**	150,177

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

	30 June 2016 %	30 June 2015 %	30 June 2016 $'000	30 June 2015 $'000
Non-current				
360 Capital Industrial Fund (ASX: TIX)	15.6	17.4	90,828	63,877
360 Capital Office Fund (ASX: TOF)	25.3	25.3	41,786	39,186
360 Capital 111 St Georges Terrace Property Trust	44.4	44.4	30,575	30,307
360 Capital 441 Murray Street Property Trust	35.7	35.7	3,793	5,115
360 Capital Havelock House Property Trust	39.3	26.7	5,086	3,486
360 Capital Subiaco Square Property Trust	39.8	39.8	9,579	7,288
Centuria Diversified Direct Property Fund	-	19.3	-	360
Centuria Office Fund No.2	-	1.2	-	5
Other	-	-	-	553
			181,647	150,177
Total			**181,647**	150,177

The 360 Capital Industrial Fund, 360 Capital Office Fund and 360 Capital Total Return Fund are listed on the ASX. All other investments are unlisted.

In December 2015, TIX completed the acquisition of Australian Industrial REIT (ANI). As part of the acquisition TIX issued an additional 86,659,518 units in total thereby diluting the consolidated entity's interest. The consolidated entity also acquired an additional 6,644,231 units during the year. At balance date the consolidated entity's holding in TIX was 15.6%. In October 2015 the consolidated entity received an additional $1.5 million of consideration representing 20 cents per ANI unit associated with it accepting into the TIX offer in April 2015.

Note 13: Financial assets at fair value through the profit or loss (continued)

Refer to Note 22 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 2016 $'000	30 June 2015 $'000
Balance at 1 July	150,177	120,838
Financial assets acquired through dividend reinvestment	-	2,215
Financial assets acquired - other	17,170	66,353
Financial assets disposed	(943)	(47,149)
Fair value adjustment of financial assets	15,243	7,920
Closing balance	**181,647**	150,177

Note 14: Assets held for sale

	30 June 2016 $'000	30 June 2015 $'000
Investment property		
12-22 Woniora road, Hurstville NSW	-	47,000
	-	47,000
Less: Deferred rent receivable	(1,260)	(3,119)
Deferred rent received	(1,260)	1,859
	-	45,740

On 25 September 2015 the consolidated entity settled 12-22 Woniora Road, Hurstville NSW for a gross sale price of $47.0 million. An amount of $1.3 million was received during the period associated with rent receivable under the contract of sale.

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

	30 June 2016 $'000	30 June 2015 $'000
Balance at 1 July	47,000	4,300
Reclassification from investment properties (refer to Note 15)	-	47,000
Sale of asset held for sale	(47,000)	(4,300)
Closing balance	**-**	47,000

a) Valuation basis

Assets held for sale are carried at fair value refer to Note 29 (k) for further information.

Note 15: Investment properties

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	30 June 2016 $'000	30 June 2015 $'000	30 June 2016 %	30 June 2015 %	30 June 2016 %	30 June 2015 %	Last external valuation	Valuation $'000
City Centre Plaza, Rockhampton QLD	26-Jun-15	50,000	55,000	7.00	7.25	8.00	8.75	Jun-16	50,000
Windsor Marketplace, Windsor, Sydney NSW	11-Jun-15	21,400	20,300	6.75	7.00	7.50	8.00	Jun-16	21,400
Investment properties		**71,400**	75,300						
Less: lease income receivable & incentives		(62)	(1,500)						
		71,338	73,800						

<u>City Centre Plaza, Rockhampton QLD – 360 Capital Retail Fund No.1</u>
A controlled entity of the Group (refer to Note 26) which is located in Rockhampton QLD. The property is a sub-regional shopping centre comprising 14,063sqm and 491 car spaces.

<u>Windsor Marketplace, Windsor, Sydney, NSW – 360 Capital Retail Fund No.1</u>
A controlled entity of the Group (refer to Note 26) which is located in Windsor NSW. The property is a recently refurbished neighbourhood shopping centre comprising 5,347sqm with 162 car spaces.

Note 15: Investment properties (continued)

	30 June 2016 $'000	30 June 2015 $'000
Balance at 1 July	75,300	38,500
Capitalised subsequent expenditures	75	6,566
Investment properties acquired	-	68,100
Reclassification to assets held for sale (refer to Note 14)	-	(47,000)
Straight-lining of lease revenue and incentives	110	(474)
Fair value adjustment of investment properties	(4,085)	6,458
Fair value adjustment of investment properties – Deferred rent receivable	-	3,150
Closing balance	**71,400**	75,300

a) Valuation basis

Investment properties are carried at fair value. Fair value of the properties is determined by the Directors, having regard to the most recent independent valuations prepared by valuers with appropriately recognised professional qualification and recent experience in the location and category of the property being valued. Valuation methods used to determine the fair value include market sales comparison, discounted cash flow and capitalisation rate. The fair value for a property may be determined using a combination of these and other valuation methods.

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

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

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

b) Sensitivity Matrix

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

Note 15: Investment properties (continued)

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note 22 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 knowledgably, prudently and without compulsion.

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

c) Highest and best use

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

d) Leases as lessor

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

	30 June 2016 $'000	**30 June 2015 $'000**
No later than 12 months	5,547	4,580
Between 12 months and five years	15,982	12,690
Greater than five years	20,308	16,584
	41,837	33,854

Note 16: Trade and other payables

	30 June 2016 $'000	**30 June 2015 $'000**
Trade & GST payables	57	1,594
Accruals	1,980	1,714
Other payables	11	135
	2,048	3,443

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

Note 17: Borrowings

	30 June 2016 $'000	30 June 2015 $'000
Current		
Borrowings - secured	-	11,000
	-	11,000
Non-current		
Borrowings - secured	34,877	34,077
Borrowings - unsecured	78,229	76,622
Capitalised borrowing costs	(1,569)	(2,079)
	111,537	108,620
Borrowings - secured		
Total facility limit	112,400	137,400
Used at end of reporting date	109,877	121,699
Unused at end of reporting date	2,523	15,701

a) Loan facilities summary

Unsecured note issue
In September 2014 the consolidated entity raised $75.0 million through the issue of five year, fixed rate unsecured notes. The fixed rate of the notes is 6.9% per annum. The carrying value of loan balance at 30 June 2016 was $78.2 million (2015: $76.6 million).

National Australia Bank facility - (360 Capital Investment Trust)
The consolidated entity had a loan facility with National Australia Bank (NAB) which at 30 June 2015 was drawn to $11.0 million. During the year the loan was repaid in full upon the settlement of the Hurstville asset which was held as security against the facility. At reporting date the facility has been terminated.

St George Bank facility – (360 Capital Retail Fund No.1)
A controlled entity of the consolidated entity has a loan facility with St George Bank. The $37.4 million facility is drawn to $34.9 million and expires in June 2018. The consolidated entity has an interest rate hedge covering $34.6 million of the facility at a rate of 4.43% (exclusive of the underlying margin). The interest rate hedge expires in June 2022. The facility is secured by a mortgage in favour of St George Bank over Windsor Marketplace Windsor, Sydney NSW and City centre Plaza, Rockhampton QLD (refer to Note 15).

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.

Note 18: Derivative financial instruments

	30 June 2016 $'000	30 June 2015 $'000
Non - Current		
Interest rate swap contracts - fair value	1,535	137
Total	**1,535**	137

Note 18: Derivative financial instruments (continued)

The consolidated entity utilises derivative financial instruments to hedge exposure to fluctuations in interest rates. Refer to Note 22 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 0% (2015: 4.90%). 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 3.84% (2015: 3.74%).

Swaps currently in place cover approximately 99.2% (2015: 76.8%) 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 29, the interest rate swaps have not been designated as hedges for accounting purposes and hence all changes in fair value are recognised immediately in the statement of profit or loss.

Note 19: Provisions

	30 June 2016 $'000	30 June 2015 $'000
Current		
Distributions payable to unitholders	3,744	3,680
	3,744	3,680

Note 20: Other current liabilities

	30 June 2016 $'000	30 June 2015 $'000
Rental income invoiced in advance	171	1,076
Deposits on investment properties - Hurstville	-	4,700
Deferred rent received	-	1,859
Other	-	192
	171	7,827

Note 21: Equity

(a) Issued capital

	30 June 2016 000's	30 June 2015 000's
360 Capital Investment Trust - Ordinary units issued	226,733	226,733
	$'000	**$'000**
360 Capital Investment Trust - Ordinary units issued	**147,234**	152,453

Note 21: Equity (continued)

(b) Movements in issued capital

There were no movements in issued capital of the consolidated entity for the year.

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 2016 000's	30 June 2015 $'000
Total ordinary units disclosed	226,733	226,733
Issued capital - Employee security plan in October 2013, at 1 July	21,970	21,970
Employee securities bought back on-market and cancelled during the year	(3,600)	-
Securities bought back on-market and cancelled during the year	(5,500)	-
Total units issued on the ASX	239,603	248,703

During the year 3,600,000 securities previously issued under the Group ESP were bought back and cancelled (June 2015: Nil).

(c) Employee Security Plan

During the year ended 30 June 2014, 21,970,000 securities were granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plan ("ESP"). During the period, the consolidated entity bought back and cancelled 3,600,000 of these securities. 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.

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

Note 21: Equity (continued)

As the Stapled Group has been transformed following the acquisition of 360 Capital Property Group, 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 2016, the Stapled Group has recognised $0.62 million (2015: $0.69 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.

Note 22: Other financial assets and liabilities

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.

	Note	30 June 2016 $'000	30 June 2015 $'000
Cash and cash equivalents	11	1,084	4,206
Receivables	12	2,817	2,487
Financial assets at fair value through profit or loss	13	181,647	150,177
Total		185,548	156,870

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) 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.

Note 22: Other financial assets and liabilities (continued)

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

	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Fixed interest maturing in 1 to 5 years $'000	Fixed interest maturing more than 5 years $'000	Non-interest bearing $'000	Total $'000
30 June 2016						
Financial assets						
Cash and cash equivalents	1,084	-	-	-	-	1,084
Receivables	-	-	-	-	2,817	2,817
Financial assets at fair value through profit or loss	-	-	-	-	181,647	181,647
Total financial assets	1,084	-	-	-	184,464	185,548
Weighted average interest rate	2.00%					
Financial liabilities						
Trade and other payables	-	-	-	-	2,048	2,048
Borrowings	-	-	75,000	36,537	-	111,537
Due to related entities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	1,535	1,535
Total financial liabilities	-	-	75,000	36,537	3,583	115,120
Weighted average interest rate	0.00%	2.25%	6.90%	3.84%		
Net financial assets/(liabilities)	1,084	-	(75,000)	(36,537)	180,881	70,428
30 June 2015						
Financial assets						
Cash and cash equivalents	4,206	-	-	-	-	4,206
Receivables	-	-	-	-	2,487	2,487
Financial assets at fair value through profit or loss	-	-	-	-	150,177	150,177
Total financial assets	4,206	-	-	-	152,664	156,870
Weighted average interest rate	1.50%					
Financial liabilities						
Trade and other payables	-	-	-	-	3,443	3,443
Borrowings	11,000	-	75,000	34,600	-	120,600
Due to related entities	-	-	-	-	8,501	8,501
Derivative financial instruments	-	-	-	-	137	137
Total financial liabilities	11,000	-	75,000	34,600	12,081	132,681
Weighted average interest rate	5.07%	0.00%	6.90%	3.74%		
Net financial assets/(liabilities)	(6,794)	-	(75,000)	(34,600)	140,583	24,189

Note 22: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis

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

			Change in interest rate -1%	Change in interest rate 1%
	Note	**Carrying amount $'000**	**Profit $'000**	**Profit $'000**
30 June 2016				
Financial assets				
Cash and cash equivalents	11	1,084	(11)	11
Financial assets at fair value through profit or loss (Level 3)	13	49,033	(490)	490
Financial liabilities				
Borrowings	17	111,537	-	-
Total increase/(decrease)			(501)	501
30 June 2015				
Financial assets				
Cash and cash equivalents	11	4,206	(42)	42
Financial assets at fair value through profit or loss (Level 3)	13	47,114	(471)	471
Financial liabilities				
Borrowings	17	120,600	110	(110)
Total increase/(decrease)			(403)	403

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

Note 22: Other financial assets and liabilities (continued)

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

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 Year $'000	Between 1-5 Years $'000	Over 5 Years $'000
30 June 2016					
Trade and other payables	2,048	2,048	2,048	-	-
Borrowings	111,537	123,683	6,329	117,354	-
	113,585	125,731	8,377	117,354	-
30 June 2015					
Trade and other payables	3,443	3,443	3,443	-	-
Borrowings	120,600	144,340	6,880	137,460	-
	124,043	147,783	10,323	137,460	-

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.

Price risk – sensitivity analysis

A fluctuation of 1% in the market price of the underlying equity securities/units would impact the net profit of the consolidated entity, with all other variables held constant, by an increase/(decrease) of $0.01 million (2015: $0.07 million).

Fair values

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

	Carrying amount		Fair value	
	30 June 2016 $'000	30 June 2015 $'000	30 June 2016 $'000	30 June 2015 $'000
Financial liabilities				
Borrowings	111,537	108,620	113,106	110,699
Total non-current financial liabilities	111,537	108,620	113,106	110,699

Note 22: Other financial assets and liabilities (continued)

The fair value of receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values quoted in the above table in relation to borrowings are all categorised within the fair value hierarchy as level 2 inputs.

Fair value hierarchy
All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows 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.

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

	30 June 2016 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	181,647	132,614	-	49,033
Financial liabilities measured at fair value				
Derivative financial instruments	1,535	-	1,535	-

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

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

	30 June 2015 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	150,177	103,063	-	47,114
Financial liabilities measured at fair value				
Derivative financial instruments	137	-	137	-

Note 22: Other financial assets and liabilities (continued)

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

	30 June 2016 $'000	30 June 2015 $'000
Balance at 1 July	47,114	55,160
Financial assets acquired - other	1,617	7,188
Financial assets disposed	(942)	(17,996)
Fair value adjustment of financial assets	1,244	2,762
Closing balance	49,033	47,114

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 16). 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 6.75% to 7.0% and discount rates estimated to be between 7.5% and 8.0%. 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.

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 23: Reconciliation of net profit to net cash inflows from operating activities

	30 June 2016 $'000	30 June 2015 $'000
Net profit/(loss) for the year	20,404	23,079
Adjustment for:		
Borrowing cost amortisation	510	234
Net gain on fair value of financial assets	(15,202)	(7,920)
Net (gain)/ loss on fair value of investment properties	4,085	(9,608)
Net loss on fair value of derivative financial instruments	3,005	1,745
Net loss on sale of investment property	279	-
Straight-lining of lease revenue and incentives	110	474
Change in assets and liabilities		
Increase in receivables and prepayments	(901)	(565)
(Decrease)/Increase in creditors and accruals	(2,198)	2,937
Net cash inflows from operating activities	**10,092**	10,376

Note 24: Capital commitments and contingencies

Capital commitments
At 30 June 2016, the consolidated entity had no capital commitments (30 June 2015: no capital commitments) relating to the purchase of property, plant and equipment.

Contingencies

There are no other contingent liabilities as at 30 June 2016.

Note 25: 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 26.

Acquisition of 360 Capital Diversified Property Fund
On 19 September 2014 the consolidated entity acquired 100% of 360 Capital Diversified Property Fund through a $21.2 million cash offer to non 360 Capital Group unitholders. At the time of the acquisition the Trust held 58.9% of 360 Capital Diversified Property Fund and was the Responsible Entity.

Acquisition of 360 Capital Retail Fund No.1
The 360 Capital Retail Fund No.1 is a controlled entity of the Group, which acquired two retail investment properties in June 2015. During the current year the Trust continued to sell down underwrite units and at balance date held a 67.8% (2015: 77.6%) interest in the Fund.

Note 25: Related party transactions (continued)

Responsible Entity
The Responsible Entity of the Trust is 360 Capital Investment Management Limited. The immediate parent entity of the Responsibility Entity is 360 Capital Property Limited (ABN 46 146 484 433), and its ultimate parent entity is 360 Capital Group Limited (ABN 18 133 569 136).

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
Graham Ephraim Lenzner

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

Securities held in 360 Capital Group by Directors

NEDs	Held at 1 July 2015	Granted as remuneration	Acquisitions	Held at 30 June 2016
David van Aanholt	249,000	-	-	249,000
William Ballhausen	400,000	-	-	400,000
Graham Lenzner	240,000	-	-	240,000
Andrew Moffat	500,000	-	50,000	550,000
Total	1,389,000	-	50,000	1,439,000

Note 25: Related party transactions (continued)

Securities held in 360 Capital Group by key management personnel

KMP	Held at 1 July 2015	Granted as remuneration	Acquisitions	Held at 30 June 2016
Tony Pitt	52,750,000	-	500,000	53,250,000
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	61,520,000	-	500,000	62,020,000

The following loans have been provided to KMP through their participation in the 360 Capital Group employee security plan:

KMP	Balance at start of ESP grant $	Interest charged in the year $	Payments made during the year $	Balance at end of the year $	Highest indebtness during the year $
Tony Pitt	3,540,000	375,000	(375,000)	3,540,000	3,540,000
Ben James	3,540,000	375,000	(375,000)	3,540,000	3,540,000
Glenn Butterworth	1,032,500	109,375	(109,375)	1,032,500	1,032,500
Alan Sutton	601,800	63,750	(63,750)	601,800	601,800
	8,714,300	923,125	(923,125)	8,714,300	8,714,300

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

Due from/to related entities

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

	30 June 2016 $'000	30 June 2015 $'000
Current Assets		
Due from 360 Capital Group Limited	2,268	-
	2,268	-
Current liabilities		
Due to 360 Capital Group Limited	-	8,501
	-	8,501

Related entity loans are unsecured, non-interest bearing and payable on demand.

Note 25: Related party transactions (continued)

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 2016 $'000	30 June 2015 $'000
Management of the funds	-	261
	-	261

There are no amounts payable to related parties for management fees as at 30 June 2016 (30 June 2015: $Nil).

Note 26: Controlled entities

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

a) Interest in controlled entities of 360 Capital Investment Trust

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2016 %	Equity Holding 30 June 2015 %
Trafalgar Opportunity Fund No. 4	Australia	Ordinary units	100	100
360 Capital Trust	Australia	Ordinary units	100	100
360 Capital Retail Fund	Australia	Ordinary units	100	100
360 Capital Diversified Property Fund [1]	Australia	Ordinary units	100	100

b) Interest in controlled entities with material non-controlling interests

360 Capital Retail Fund No.1 [2]	Australia	Underwrite units	66.4%	77.6%

[1] In September 2014 the Group acquired the remaining non-controlling interest and now holds 100% interest in the fund.

[2] For further information of on controlled entities with material non-controlling interests refer to following details below.

Details of entities with material non-controlling interests
During the prior year the consolidated entity acquired a material non-controlling interests in 360 Capital Retail Fund No.1. The consolidated financial report includes the financial statements of the following subsidiaries controlled by the Fund with a material non-controlling interest:

Note 26: Controlled entities (continued)

360 Capital Diversified Property Fund: On 19 September 2014 the consolidated entity acquired an additional 41.1% of 360 Capital Diversified Property Fund through a $21.2 million cash offer to external unitholders.

At the time of the acquisition the consolidated entity held 58.9% of 360 Capital Diversified Property Fund.

Prior to acquiring the Fund, the consolidated financial report included the financial statements of the Fund based on the Group's Material non-controlling interest. The acquisition increased the consolidated entity's ownership to 100%.

	2016 $'000	2015 $'000
Cash consideration paid to non-controlling interests	-	21,200
Carrying value of the additional interest	-	26,678
Value uplift recognised in retained earnings	-	5,478

In the prior year the consolidated entity acquired the fund as it was deemed to have control of the fund based upon the impact of a) the consolidated entity's role as Responsible Entity of the fund and b) the consolidated entity's 59% direct interest in the fund. In September 2014 the consolidated entity acquired the remaining non-controlling interest and now holds 100% interest in the fund.

360 Capital Retail Fund No.1: On 22 December 2014 the consolidated entity acquired 100% of the issued units in 360 Capital Retail Fund No.1 an unlisted property fund. The fund subsequently acquired two retail investment properties in June 2016 and issued additional units to and fund the acquisitions. Units were issued to the consolidated entity and to external investors with the consolidated entity holding 66.4% of the issued equity in the fund at 30 June 2016. The consolidated entity holds underwrite units which may be redeemed at the issue price from the proceeds from the issue of ordinary units.

At the time of the acquisition the consolidated entity held 100% of 360 Capital Retail Fund No.1, and subsequently diluted its holding to 66.4% at 30 June 2016.

	2016 $'000	2015 $'000
Cash consideration received from non-controlling interests	-	9,681
Carrying value of the additional interest	-	9,079
Value uplift recognised in retained earnings	-	602

The Fund is deemed to have control of the 360 Capital Retail Fund No.1 based upon the impact of the Fund's 66.4% direct interest in the property fund.

	30 June 2016 $'000	30 June 2015 $'000
Current assets	1,080	1,565
Total assets	72,480	76,865
Current liabilities	871	1,717
Total liabilities	37,130	35,761
Total revenue	7,994	225
Total comprehensive income for the period	(2,267)	913
Net cash inflow from operating activities	3,888	(52)
Distributions paid to non-controlling interests	6	76

Note 27: Parent entity disclosures

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

	30 June 2016 $'000	30 June 2015 $'000
Current assets	923	48,138
Non-current assets	184,683	179,786
Total assets	**185,606**	227,924
Current liabilities	5,284	14,594
Non-current liabilities	98,608	98,608
Total liabilities	**103,892**	113,202
Issued capital	147,233	152,453
Accumulated losses	(65,519)	(37,731)
Total equity	**81,174**	114,722
Net (loss)/profit for the year	(2,763)	8,095
Total comprehensive income for the year	**(2,763)**	8,095

Parent entity contingencies

The parent entity does not have any contingencies as at 30 June 2016 (2015: Nil).

Note 28: Events subsequent to balance date

No 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.

Note 29: Statement of significant accounting policies

a) Changes in accounting policy

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

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

For the financial period, the adoption of these amended standards has no material impact on the financial statements of the consolidated entity.

b) Basis of consolidation

Stapling

On 2 October 2013, 360 Capital Group was formed by stapling together the shares of the 360 Capital Group Limited ("Company") and the units of 360 Capital Investment Trust ("Trust"). 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.

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 2016 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.

c) 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.

d) Revenue recognition

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

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

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.

e) Finance expenses

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

f) Income tax

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.

g) Impairment of assets

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

h) Cash and cash equivalents

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

i) Receivables

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

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

j) Financial instruments

Financial assets and financial liabilities are recognised when the 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.

<u>Financial assets at fair value through profit or loss</u>
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.

j) Financial instruments (continued)

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the 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 29 (i).

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 29 (o) and Note 29 (q) 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.

k) Assets held for sale

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

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

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

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.

l) Investment properties

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation, or both. Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the statement of profit or loss in the 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

s) Accounting standards issued but not yet effective

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

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

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

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

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

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 47 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

2) There are reasonable grounds to believe that the 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 2016.

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
24 August 2016

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working world

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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 2016, 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 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
24 August 2016