



360 Capital Group Limited  
ABN 18 113 569 136

Level 8  
56 Pitt Street  
Sydney NSW 2000

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Web: [www.360capital.com.au](http://www.360capital.com.au)

5 October 2017

The Manager  
Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

**2017 NOTICE OF ANNUAL GENERAL MEETING OF 360 CAPITAL GROUP LIMITED AND**  
**GENERAL MEETING OF 360 CAPITAL INVESTMENT TRUST,**  
**AND ASSOCIATED DOCUMENTS**

In accordance with ASX listing rule 3.17.1, the following documents relate to the 360 Capital Group Limited Annual General Meeting and 360 Capital Investment Trust General Meeting, which will be held concurrently at 2.00pm (AEDT) on Friday 27 October 2017 in Sydney.

A copy of Notice of Meeting which has been mailed to all Securityholders follows.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jennifer Vercoe'.

Jennifer Vercoe  
Company Secretary

360 Capital

G r o u p



360 Capital FM Limited  
ABN 15 090 664 396

Level 8  
56 Pitt Street  
Sydney NSW 2000

Phone: (02) 8405 8860  
Fax: (02) 9238 0354  
Web: [www.360capital.com.au](http://www.360capital.com.au)

26 September 2017

Dear Investor,

On behalf of the Board, I take pleasure in inviting you to the Annual General Meeting of 360 Capital Group and General Meeting of 360 Capital Investment Trust to be held at:

**2.00pm**  
**Friday 27 October 2017**

at

**The Warrane Theatre**  
**Museum of Sydney**  
**cnr Philip Street and Bridge Street**  
**Sydney NSW 2000**

The formal notice of meeting is enclosed. If you are unable to attend the meeting, I encourage you to complete the enclosed proxy form and record your vote before 2.00pm Wednesday 25 October 2017 via the enclosed replay paid envelope, fax, in person or online.

If you will attend the meeting, please bring your proxy form with you to assist with registration.

Yours Sincerely,

David van Aanholt  
Independent Chairman



## Notice of Annual General and General Meetings

# 360 CAPITAL GROUP

360 Capital Group Limited  
ABN 18 113 569 136

360 Capital Investment Trust  
ARSN 104 552 598

**This is an important document and requires your immediate attention.**  
You should read this document in its entirety before deciding how to vote.  
If you are in any doubt about what to do, you should consult your legal,  
investment, taxation and other professional adviser without delay.

## Important Notices

### What is this document?

Notice is given that the Annual General Meeting of members of 360 Capital Group Limited ABN 18 113 569 136 (the "**Company**") and a General Meeting of members of 360 Capital Investment Trust ARSN 104 552 598 (the "**Trust**") (together, the "**Meetings**") will be held concurrently as set out in this document. Concurrent Meetings are being held for the Company and the Trust, as they have identical Securityholders following the stapling of the shares in the Company with the units in the Trust, those securities are referred to as "**Stapled Securities**" or "**Securities**").

This Notice is issued by the Company and 360 Capital FM Limited ABN 15 090 664 396 as responsible entity of the Trust ("**360 Capital FM Limited**" or "**Trust RE**"). The constitutions of the Company and the Trust ("**Company Constitution**" and "**Trust Constitution**" respectively) provide that meetings of Securityholders of both the Company and the Trust may be held in conjunction with each other while stapling of the shares in the Company to the units in the Trust applies. Accordingly, where applicable, the Meetings will be a meeting of both the Company and the Trust (the "**Group**").

The purpose of this Notice is to provide information about: receiving the Company's 2017 Annual Financial Statements and Report; approving the Company's Fiscal 2017 Remuneration Report; re-election of Company Directors; approving the Capital Reallocation Proposal; and to provide such other information considered material to the decision of Securityholders in determining how to vote on the Resolutions.

All information in this document forms part of the Notice.

### No investment advice

The information contained in this Notice does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs. It is important that you read the Notice (including the Explanatory Memorandum) in its entirety before making any investment decision and any decision on how to vote on any Resolution.

### Any questions?

360 Capital Group is committed to providing all Company shareholders and Trust unitholders (together, "**Securityholders**") with an opportunity to ask questions in advance of the Meetings. If you have any questions about your holding of Stapled Securities or the Resolutions, please contact the 360 Capital Investor Services on 1300 082 130. If you are in any doubt on how to vote on the Resolutions or the action to be taken, you should contact your financial, legal, tax or other professional adviser without delay.

## Meeting details and important dates

<b>Last date and time for receipt of Proxy Forms</b>	2.00pm (AEDT) Wednesday 25 October 2017
<b>Date and time to determine your eligibility to vote at the Meetings</b>	7.00pm (AEDT) Wednesday 25 October 2017
<b>Date and time of the Meetings</b>	2.00pm (AEDT) Friday 27 October 2017
<b>Place</b>	Warrane Theatre Museum of Sydney Cnr Phillip Street & Bridge Street Sydney NSW 2000

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# Notice of Meetings

360 CAPITAL GROUP LIMITED ABN 18 113 569 136 (“Company”)  
360 CAPITAL INVESTMENT TRUST ARSN 104 552 598 (“Trust”)

## Fiscal 2017 Annual General and General Meetings

Notice is given that the Annual General Meeting of members of the Company and a General Meeting of members of the Trust will be held concurrently as follows:

Date: Friday 27 October 2017  
Time: 2.00pm (AEDT)  
Place: Warrane Theatre  
Museum of Sydney  
Cnr Phillip Street & Bridge Street  
Sydney NSW 2000

## Business of the Meetings

### COMPANY ITEMS OF BUSINESS:

#### Item A. Financial Statements and Report

To receive the Company's Annual Report 2017, including the Directors' Report and Financial Statements for the Company together with the Independent Auditor's Report for the year ended 30 June 2017:

**No resolution is required for this item of business.**

#### Item B. Approval of the Fiscal 2017 Remuneration Report

The Securityholders are asked to consider and if thought fit, pass the following resolution as an ordinary resolution of the Company:

##### Resolution 1

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report of the Company for the financial year ended 30 June 2017 as contained in the Director's Report for the Company be approved.”*

**The vote on this resolution is advisory only and does not bind the Directors or the Company.**

#### Item C. Re-election of Directors

- I. Mr. Andrew Graeme Moffat, being a Director of the Company who retires from office in accordance with the Constitution of the Company and Listing Rules and being eligible and having offered himself for re-election, seeks re-appointment as a Director at this Annual General Meeting.

The meeting is therefore asked to consider and if thought fit, to pass the following resolution as an ordinary resolution of the Company:

##### Resolution 2

*“That Mr. Andrew Graeme Moffat, being a Director of the Company who retires from office in accordance with the Constitution of the Company and Listing Rules and being eligible and having offered himself for re-election, is re-appointed as a Director of the Company.”*

- II. Mr. William John Ballhausen, being a Director of the Company who retires from office in accordance with the Constitution of the Company and Listing Rules and being eligible and having offered himself for re-election, seeks re-appointment as a Director at this Annual General Meeting.

The meeting is therefore asked to consider and if thought fit, to pass the following resolution as an ordinary resolution of the Company:

##### Resolution 3

*“That Mr. William John Ballhausen, being a Director of the Company who retires from office in accordance with the Constitution of the Company and Listing Rules and being eligible and having offered himself for re-election, is re-appointed as a Director of the Company.”*

**GROUP ITEMS OF BUSINESS:**

**Item D. Capital Reallocation Proposal**

**I. Approval of Capital Reallocation Proposal**

To consider and if thought fit pass the following resolution as an ordinary resolution of the Group.

**Resolution 4**

*"That subject to, and conditional on Resolutions 5 and 6 each being passed, the Capital Reallocation Proposal described in item D of the Explanatory Memorandum (attached to the Notice of Meeting) be approved for all purposes."*

**II. Amendments to the Trust Constitution for the Capital Reallocation Proposal**

To consider and if thought fit pass the following resolution as a special resolution:

**Resolution 5**

*"That for the purposes of section 601GC(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, subject to, and conditional on Resolutions 4 and 6 being passed, the Constitution of 360 Capital Investment Trust (Trust) be amended to facilitate the Capital Reallocation Proposal as described in the Explanatory Memorandum."*

**III. Amendments to the Company Constitution for the Capital Reallocation Proposal**

To consider and if thought fit pass the following resolution as a special resolution:

**Resolution 6**

*"That for the purposes of section 136(2) of the Corporations Act 2001 (Cth) and for all other purposes, subject to, and conditional on Resolutions 4 and 5 being passed, the Constitution of 360 Group Limited be amended to facilitate the Capital Reallocation Proposal as described in the Explanatory Memorandum."*

Information on each of the Resolutions, together with relevant voting exclusion statements, is set out in the accompanying Explanatory Memorandum.

By order of the Boards of the Company and Trust RE



**Jennifer Vercoe**  
Group Company Secretary

Dated: 26 September 2017

# Notes about the Meetings and how to vote

THESE NOTES FORM PART OF THE NOTICE

## Changing the time and date of the Meetings and updated information

The Group reserves the right to postpone or adjourn the Meetings to a later time or date. If the Group makes such a determination, it will notify all Securityholders by lodging an announcement on ASX and by placing an announcement on the Group's website at [www.360capital.com.au](http://www.360capital.com.au).

The Group will endeavour to notify Securityholders of any such postponement prior to the original date and time of the Meetings, however the postponement of the Meetings will not be invalidated by the failure to do so. If the Meetings are adjourned for one month or more, the Group will give new notice of the adjourned Meetings.

Any updated information in relation to the Meetings or the Resolutions will be made available by the Group on the Group's website at [www.360capital.com.au](http://www.360capital.com.au).

## Quorum

The Company Constitution and the Trust Constitution provide that three Securityholders present personally, or by representative, attorney or proxy, shall be a quorum for an Annual General Meeting of the Company and a General Meeting of the Trust.

## Proxies

If you are unable or do not wish to attend the Meetings, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a Securityholder.

If a Securityholder is entitled to two or more votes they may appoint two proxies and may specify the number or percentage of votes each proxy is appointed to exercise. If no such number or percentage is specified, each proxy may exercise half the Securityholder's votes.

## Body corporate representatives

Body corporate representatives are requested to bring appropriate evidence of appointment as a representative. Attorneys are requested to bring a copy of the Power of Attorney pursuant to which they have been appointed. Representatives will also be required to provide proof of identity.

## Voting entitlements

The Directors of the Company and Trust RE have determined that, subject to the voting restrictions set out below, voting entitlements will be determined from the names of the Securityholders on the Register of Securityholders of the Company and the Trust as at 7.00pm (AEDT) Wednesday 25 October 2017.

## Voting procedure

Voting on each Resolution will be by a show of hands, whereby each Securityholder present, in person or by proxy or attorney or where the Securityholder is a body corporate, by representative, will have one vote on a show of hands.

However, if a poll is validly demanded, each Securityholder present in person or by proxy or attorney or where the Securityholder is a body corporate, by representative, will have one vote for each fully paid Stapled Security.

## Voting exclusion statement – Resolution 1

In accordance with the Corporations Act 2001 (Cth) ("**Corporations Act**"), a vote must not be cast on the non-binding Remuneration Report resolution ("**Resolution 1**") by or on behalf of a Securityholder of the Key Management Personnel (whose remuneration details are contained in the Remuneration Report) or their closely related parties whether as a Securityholder or as a proxy.

However, a vote may be cast on Resolution 1 by a Key Management Personnel or a closely related party of a Key Management Personnel if:

- the vote is cast by a person as a proxy for a person who is entitled to vote (i.e. is not a Key Management Personnel or a closely related party of a Key Management Personnel), in accordance with the directions on the proxy form; or
- a Key Management Personnel is the Chairman of the meeting and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of the Key Management Personnel.

## Voting exclusion statement – Resolutions 2-6

Nil.

## General voting exclusions

In accordance with section 253E of the Corporations Act 2001 (Cth) the Responsible Entity and its associates are not entitled to vote Units held by them if they have an interest in a Resolution other than as a Unitholder.

## Proxy voting by the Chairman of the Meetings

If the Chairman of the Meetings is your proxy, and you do not provide a voting direction with respect to the Resolutions, you will have directed the Chairman of the Meetings to vote in favour of the Resolutions.

The Chairman of the Meetings also intends to vote undirected proxies in favour of each item of business.

## NOTES ABOUT THE MEETINGS AND HOW TO VOTE

(CONTINUED)

### Submission of written questions to the Group or Auditor

In accordance with section 250PA of the Corporations Act, Securityholders entitled to vote at the Meetings, may submit a written question to the Group or the Group's auditor ("Auditor") no later than five business days before the date of the Meetings. All questions must be sent to the Group marked to the attention of the Group Secretary.

Questions directed to the Auditor must relate to:

- the conduct of the audit; or
- the content of the Auditor's Report.

Under the Corporations Act, Securityholders are also entitled at the Meetings to ask the Auditor or their representative questions relevant to these above matters, as well as in relation to:

- the independence of the Auditor in relation to the conduct of the audit; or
- the accounting policies adopted by the Group in relation to the preparation of the Financial Report.

### Required Voting Majority

The Resolutions 1, 2, 3 and 4 to be put to the Securityholders at the Meetings are ordinary resolutions, and will be passed if greater than 50% of the votes cast by Securityholders entitled to vote on a resolution (in person, by proxy, attorney or corporate representative) are in favour.

The Resolutions 5 and 6 to be put to the Securityholders at the Meetings are special resolutions, and will be passed if at least 75% of the votes cast by Securityholders entitled to vote on a resolution (in person, by proxy, attorney or corporate representative) are in favour.

Please note that Resolutions 4, 5 and 6 are interdependent. This means that if any one or more of these Resolutions is not passed by the required majority, the other Resolutions will not come into effect.

### Lodgement of proxies and other authorities

Proxy Forms and other authorities should be returned by posting them in the reply paid envelope provided or delivering them to one of the addresses below.

#### By post

Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001

#### Online

[www.votingonline.com.au/360capitalgroupagm2017](http://www.votingonline.com.au/360capitalgroupagm2017)

#### By facsimile

(02) 9290 9655

#### By hand

Boardroom Pty Limited  
c/- Level 12, 225 George Street  
Sydney NSW 2000

**All Proxy Forms must be received by Boardroom Pty Limited no later than 2.00pm (AEDT) Wednesday 25 October 2017.**

**Documents received after that time will not be valid for the Meetings.**



# Explanatory Memorandum

## Item A. Financial Statements and Reports

A copy of the Company's Annual Report 2017 (including the Directors' Report and Financial Statements for the Company together with the Independent Auditor's Report for the year ended 30 June 2017) ("**Annual Report**") has been previously forwarded to you, unless you have indicated that you do not wish to receive it.

The Annual Report is to be tabled at the Annual General Meeting of the Company in accordance with section 317(1) of the Corporations Act. A copy of the Annual Report is also available via our website at [www.360capital.com.au](http://www.360capital.com.au).

## Item B. Approval of the Fiscal 2017 Remuneration Report

The Corporations Act requires the Company to include in the Directors' Report a section titled "**Remuneration Report**", which sets out the remuneration of key management personnel (including the Directors and Executives) ("**Key Management Personnel**") of the Company for the 2017 fiscal year ("**Remuneration Report**").

It is also a requirement that the Directors' Report (including the Remuneration Report) be tabled at the Annual General Meeting so that Securityholders of the Company can vote on whether or not to approve the Remuneration Report. The vote is advisory only and, as such, does not bind the Directors or the Company.

As a result of amendments to the Corporations Act which came into effect on 1 July 2011, if 25% or more of the votes cast by Securityholders are against the adoption of the Remuneration Report at consecutive Annual General Meetings, an ordinary resolution must be put to a vote by Securityholders at the second Annual General Meeting as to whether a further general meeting of Securityholders should be held within 90 days of the date of the second Annual General Meeting at which all Directors (other than the Managing Director) who were in office at the date of the Remuneration Report tabled at the second Annual General Meeting must stand for re-election.

It is noted that less than 25% of Securityholders voted against the remuneration report which was tabled at the Fiscal 2016 Annual General Meeting for the Company.

## Item C. Re-election of Directors

The ASX Listing Rules require that an entity which has directors must hold an election of directors each year. Even though the Directors were elected at the Fiscal 2015 Annual General Meeting, in accordance with the ASX Listing Rules and Company Constitution, the following Directors have put themselves forward for re-election.

Mr. Andrew Graeme Moffat was elected a Director at the Fiscal 2015 Annual General Meeting.

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

Andrew's past public company directorships include iTX Group Limited, Infomedia Limited, Rubik Financial Limited and Chairman of Pacific Star Network.

Andrew has declared himself an independent, non-executive director.

Mr. William John Ballhausen was elected a Director at the Fiscal 2015 Annual General Meeting.

John is a financial services professional. He provides services to a number of organisations and is a Responsible Manager for several Australian Financial Services Licensees.

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

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

John has declared himself an independent, non-executive director.

## Item D. Capital Reallocation Proposal

### What is proposed?

#### Rationale of the Capital Reallocation Proposal

360 Capital Group, is a stapled security traded on the ASX, comprising 360 Capital Group Limited (Company) and 360 Capital Investment Trust (Trust). On 9 January 2017, the Group settled a transaction (Divestment Transaction) to sell the majority of its funds management platform and co-investment stakes in its listed and unlisted funds to the Centuria Capital Group (Centuria) for approximately \$290.7m. As part of the Divestment Transaction, the Company sold a subsidiary management company to Centuria (Subsidiary Sale). As a consequence of the Subsidiary Sale, the Company:

- received proceeds of approximately \$103.8m on settlement; and
- realised a profit on sale of approximately \$77.6m for the year ended 30 June 2017.

## EXPLANATORY MEMORANDUM

(CONTINUED)

The proceeds received by the Company on the Subsidiary Sale caused a significant increase in the Net Tangible Asset (NTA) position of the Company and an associated increase in the NTA of the Company relative to that of the Trust.

The impact of the Divestment Transaction (including the Subsidiary Sale) on the NTA position at 30 June 2017, compared to the historic NTA apportionment, of the Company and the Trust is set out in the table below:

### NTA Apportionment History

		30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
<b>Company</b>	<b>(%)</b>	<b>38.9%</b>	<b>15.1%</b>	<b>18.0%</b>	<b>16.4%</b>
<b>Trust</b>	<b>(%)</b>	<b>61.1%</b>	<b>84.9%</b>	<b>82.0%</b>	<b>83.6%</b>
	<b>(%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Company</b>	<b>(\$'m)</b>	<b>77.4</b>	<b>25.0</b>	<b>27.9</b>	<b>22.5</b>
<b>Trust</b>	<b>(\$'m)</b>	<b>121.7</b>	<b>140.4</b>	<b>127.3</b>	<b>115.1</b>
<b>NTA</b>	<b>(\$'m)</b>	<b>199.1</b>	<b>165.4</b>	<b>155.2</b>	<b>137.6</b>

Consistent with its strategy prior to the Divestment Transaction, most of the activity which will be undertaken by the Group in the future is intended to be investments held by the Trust.

In order to continue to meet this strategy, 360 Capital's capital structure requires a re-balancing in order for Trust to be provided with the necessary capital base to make real estate debt and equity investments.

To effect this capital re-balancing, it is proposed that the Company pay a Special Dividend to Securityholders who will then mandatorily contribute those dividend proceeds as capital to the Trust. This will effectively re-balance the relative NTA positions of the Company and the Trust to those prevailing prior to the Divestment Transaction.

The relative NTA position of the Company and the Trust both immediately before and immediately after the proposed capital reallocation is expected to be as follows:

### Capital Reallocation NTA Impact

		30 Jun 17	Reallocation	Proforma 30 Jun 17
<b>Company</b>	<b>(%)</b>	<b>38.9%</b>	<b>(23.8%)</b>	<b>15.0%</b>
<b>Trust</b>	<b>(%)</b>	<b>61.1%</b>	<b>23.8%</b>	<b>85.0%</b>
	<b>(%)</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>
<b>Company</b>	<b>(\$'m)</b>	<b>77.4</b>	<b>(47.5)</b>	<b>29.9</b>
<b>Trust</b>	<b>(\$'m)</b>	<b>121.7</b>	<b>47.5</b>	<b>169.2</b>
<b>NTA</b>	<b>(\$'m)</b>	<b>199.1</b>		<b>199.1</b>

As can be seen from the tables, the transaction should cause the relative NTA position of the Company and the Trust to align with their relative NTA position prior to the Divestment Transaction.

The potential tax implications of the Capital Reallocation Proposal are described in the Taxation implications Section below.

### Implementation steps

The steps required to implement the Capital Reallocation Proposal are as follows:

**STEP 1** – Securityholders approve the Capital Reallocation Proposal and consequential amendments to the Trust Constitution and the Company Constitution (ie, Resolutions 4, 5 and 6 are approved by the required majorities).

**STEP 2** – The Company declares a Special Dividend of 21.01 cents per Share. The aggregate Special Dividend declared would be approximately \$47.5m (Special Dividend Amount).

**STEP 3** – The Special Dividend Amount would be debited to the retained earnings of the Company.

**STEP 4** – The proposed capital contribution into the Trust will be 21.01 cents per Unit. The aggregate capital contribution would be \$47.5m (Capital Reallocation Amount).

**STEP 5** – The Company and the Trust will agree to set-off the Special Dividend Amount against the Capital Reallocation Amount such that no cash is received, or payable, by a Securityholder. This will result in the Company effectively paying the Capital Reallocation Amount directly to the Trust.

**STEP 6** – The Capital Reallocation Amount is to be contributed in respect of the existing Units in the Trust. No new units will be issued by the Trust in conjunction with the Capital Reallocation Proposal.

**There will be no physical transfer of cash to or from Securityholders at any step.**

### Special Dividend

The Special Dividend is intended to be a fully franked dividend of 21.01 cents per security that Securityholders who hold Securities on the record date will be entitled to, including the attached a 27.5% franking credit of approximately of 7.97 cents per Share. The cash component of the dividend of 21.01 cents per Share will be directed to be reinvested in the Trust increasing the Securityholders tax cost base of Units in the Trust.

### Timing

If Securityholders approve the Resolutions 4, 5 and 6, and the Board declares the Special Dividend, the record date is proposed to be on or around 31 October 2017. Payment of the Special Dividend and corresponding reinvestment of the Capital Reallocation Amount is expected to occur within two weeks of the record date.

Whilst the Group does not currently anticipate changing any of the dates set out above, it reserves the right to do so. A final timetable for the Special Dividend and implementation of the associated Capital Reallocation Proposal will be announced on the ASX and the Group website if the Company and Trust RE determines to proceed to implementation of the proposal.

## **Resolutions**

Resolutions 4, 5 and 6 are necessary to implement the Capital Reallocation Proposal. The resolutions are inter-dependent, which means they must all be passed for the Capital Reallocation Proposal to be implemented.

Resolution 4 concerns the approval of the Capital Reallocation Proposal described above.

Resolutions 5 and 6 concern the proposed amendments to the Trust Constitution and the Company Constitution respectively which are required in order to facilitate the Capital Reallocation Proposal. These amendments are described in more detail below.

## **Effect on Group strategy**

The Capital Reallocation Proposal will assist to facilitate the Group's strategy of continuing to focus on maximising Securityholders' returns by pursuing opportunities in line with the Group's stated investment strategy.

## **Advantages and disadvantages of the Capital Reallocation Proposal**

The Company and Trust RE Boards consider that the Capital Reallocation Proposal offers a number of advantages, which outweigh the disadvantages. In deciding how to vote, Securityholders should consider the following advantages and disadvantages:

### **Advantages**

- The Capital Reallocation Proposal provides the Group with the appropriate capital allocation to fund its ongoing activities and implement its investment strategy.
- The Capital Reallocation Proposal reduces the need for any loans or alternative funding arrangements between the Company and the Trust.
- Securityholders will receive franking credits of approximately 7.97 cents per Share attached to the Special Dividend.
- Securityholders will receive an increase of 21.01 cents per security cost base in Units of the Trust.

### **Disadvantages/risks**

- The Group will incur some transaction costs in order to implement the Capital Reallocation Proposal (such as registry costs, advisory and legal fees) expected to be in the range of \$40k to \$60k.
- Securityholders may have a tax liability associated with the Special Dividend greater than the franking credit amount, and will not receive any cash from the Special Dividend to fund the payment of their tax liability.

For example, a Securityholder who pays tax at the top marginal rate of 47.0% would only receive a franking rebate offset amount of 27.5%, resulting in the Securityholder having to fund the tax liability associated with the remaining 19.5% of the grossed up franked Special Dividend amount (of approximately 28.98 cents per Share). The tax liability in this example would equate to 5.65 cents per Share. Each Securityholder is in a different position and therefore

should seek appropriate independent professional advice that considers the taxation implications of the Special Dividend to their own specific circumstances (see ***Taxation implications*** section below for more details).

- There is a proposed change to the franking credit provisions of the Australian tax legislation. The Group considers that this proposed change should not apply to the Special Dividend, as the Special Dividend is not funded by a capital raising in the Company. However, the precise scope of the proposed change cannot be known until the relevant legislation is ultimately passed by Parliament (see ***Taxation implications*** section below for more details in relation to the proposed change to the franking credit regime).

## **What happens one or more of Resolutions 4, 5 and 6 is not approved?**

If Securityholders do not approve each of Resolutions 4, 5 and 6, the Group is unlikely to declare the Special Dividend and will not be able to undertake the associated Capital Reallocation Proposal.

## **What do the Boards of the Company and the Trust RE recommend?**

Given the rationale for the proposal set out above the Boards of the Company and Trust RE recommend that Securityholders vote in FAVOUR of Resolutions 4, 5 and 6.

The Company and the Trust RE will only proceed with the Capital Reallocation Proposal if each of Resolutions 4, 5 and 6 are passed and it forms the view, at the relevant time that it would be in the best interests of Securityholders to proceed. The factors the Trust RE may take into account in making that decision will include the status of the class ruling application at that time (see ***Taxation implications*** Section below for more detail regarding the class ruling application made by the Group to the ATO in connection with the Capital Reallocation Proposal).

When making a decision, Securityholders should consider the potential tax implications of the Capital Reallocation Proposal described in the ***Taxation implications*** Section below.

## **Constitutional amendments**

The following is the text of the new clause which Securityholders are being asked to approve to insert in the Trust Constitution. A mirror clause is proposed to be inserted in Company Constitution.

- (a) Notwithstanding any other provision of this Constitution (including clause 16), if at any time Members approve by ordinary resolution (Capital Reallocation Resolution) a capital distribution or other capital payment on terms that the whole or any part of the amount to be paid in respect of each Unit is to be paid to or for the benefit of a Stapled Entity (whether by way of additional capital payment in respect of units already issued or otherwise) (Capital Reallocation Amount), then:
- (i) each Member is taken to have directed the Responsible Entity to pay the Capital Reallocation Amount to that Stapled Entity;

- (ii) the Responsible Entity will pay the Capital Reallocation Amount (and will be empowered to do so for all purposes) to or for the benefit of the Stapled Entity in accordance with the Capital Reallocation Resolution; and
  - (iii) each Member appoints the Responsible Entity as its attorney and agent to do all things the Responsible Entity considers necessary or desirable to give effect to the Capital Reallocation Resolution and the payment of the Capital Reallocation Amount to the relevant Stapled Entity.
- (b) If at any time Members approve by ordinary resolution (Recipient Capital Reallocation Resolution) a capital distribution or other capital payment in respect of units in a Stapled Entity on terms that the whole or any part of the amount to be paid in respect of each unit be paid to or for the benefit of the Scheme (whether by way of additional capital payments in respect of Units or other Financial Products already issued or otherwise) (Recipient Capital Reallocation Amount), then:
- (i) each Member is taken to have directed the Responsible Entity to accept the Recipient Capital Reallocation Amount;
  - (ii) each Member appoints the Responsible Entity as its attorney and agent to do all things the Responsible Entity considers necessary or desirable to give effect to the Recipient Capital Reallocation Resolution and the receipt of the Recipient Capital Reallocation Amount by the relevant Stapled Entity; and
  - (iii) the Responsible Entity will be deemed to receive the Recipient Capital Reallocation Amount in accordance with the Recipient Capital Reallocation Resolution.

It should be noted that the wording of the above clause permits other capital reallocation proposals to occur in the future. This may only occur with a further ordinary resolution of Securityholders approving any particular proposal. At this time, neither the Company nor the Trust RE intends to implement any other proposal.

If any Securityholders would like a copy of the existing Trust Constitution and/or Company Constitution, together with the proposed amendments, please contact 360 Capital.

### **Taxation implications**

#### **1.1 General**

Set out below is a summary of the general Australian tax implications of the Capital Reallocation Proposal for Securityholders that hold their securities on capital account.

These comments are of a general nature only and do not constitute tax advice and should not be relied upon as such. Securityholders should obtain independent advice as to the taxation consequences to them of the Capital Reallocation Proposal.

The summary does not apply to Securityholders that have made an election for taxation of financial arrangements (known as "TOFA") purposes that affects the recognition of income in respect of securities.

#### **1.2 Class ruling**

The Group has applied to the Australian Taxation Office (ATO) for a class ruling in respect of the taxation consequences of the Capital Reallocation Proposal. Although it is expected that the ATO will confirm the key taxation consequences are in accordance with the information set out in this Section, it is possible that the ATO may take a different view.

A copy of the class ruling will be made available on the Group website once it is issued. The Group does not intend to proceed with the Capital Reallocation Proposal unless it obtains a class ruling in a form that it considers to be appropriate.

The class ruling will not cover the proposed change to the law discussed at 1.3 below.

#### **1.3 Proposed change to franking credit provisions**

On 19 December 2016, the Government announced a proposed change to the franking credit provisions that would deny the benefit of franking credits in respect of special dividends to the extent the dividend is funded directly or indirectly by capital raising activities which result in the issue of new equity interests. If enacted, the proposed change will apply from 19 December 2016.

The Group considers that this proposed change should not apply to the Special Dividend, as it is not funded by capital raising in the Company. However, the precise scope of the proposed change cannot be known until the relevant legislation is ultimately passed by Parliament.

## 1.4 Income

### (a) Australian residents

#### How much dividend income must I include in my assessable income?

You must include in your assessable income:

- the amount of the dividend paid by Company; plus
- the attached franking credit.

#### Will the Dividend be fully franked?

Yes. It follows that if you satisfy the holding period rules, you will be entitled to a tax offset equal to the amount of the franking credit. A tax offset reduces the tax payable on your taxable income.

If you are an individual, a complying superannuation fund or a charitable institution and the available tax offsets exceed your overall tax liability for the 2018 income year, you will be entitled to a refund of the excess.

If you are a company (including a listed investment company) you should be entitled to a tax offset equal to the amount of the franking credit. A tax offset reduces the tax payable on the company's taxable income but the company will not be entitled to a refund of any excess. In addition, the franking credit attaching to the Special Dividend should be included in your franking account.

#### What are the holding period rules?

To qualify for tax offsets/franking credits attaching to the Special Dividend, you must hold your shares in Company at risk for 45 clear days (that is, excluding the day of acquisition and day of disposal) or qualify for an exemption from the holding period rules.

Normally, the holding period rule need only be satisfied once and then covers all future dividends. However, because the Capital Reallocation Proposal requires you to make a payment that passes on the benefit of the Special Dividend (a "related payment") to another party (being Trust), you must satisfy the holding period rule for an additional period.

Relevantly, you must hold your shares in Company at risk for 45 clear days during the period beginning on the 45th day before, and ending on the 45th day after, the day on which the shares become ex dividend in respect of the Special Dividend.

If you do not qualify for tax offsets/franking credits attaching to the Special Dividend you do not include the franking credit in your assessable income.

#### Are my Shares held at risk?

Whether you have any risk reduction arrangements in place depends on your own particular circumstances.

Examples of risk reduction arrangements include options or hedging arrangements.

#### Are there any exemptions from the holding period rules?

Normally, an exemption from the holding period rule is available to an individual shareholder who has a total franking credit/tax offset entitlement of \$5,000 or less (aggregating all dividends) for the 2018 income year. This exemption will not apply in this case because the Special Dividend involves a related payment.

An exemption from the holding period rule should be available to complying superannuation funds and widely held trusts that comply with certain "benchmark portfolio" rules.

#### Other requirements for franking credits

There are a number of tax rules designed to discourage streaming of, and trading in, franking credits. The rules can deny tax offsets, and in the case of a company can deny franking credits attaching to the Special Dividend.

Subject to the comments at 1.3, the Company does not consider that these provisions should apply as a result of the circumstances of the Capital Reallocation Proposal. However, the particular circumstances of each shareholder will also be relevant in determining whether the rules deny the benefit of the tax offset or franking credit.

### (b) Non-residents

Provided the Special Dividend is not attributable to a permanent establishment in Australia, you will not be subject to Australian income tax or Australian withholding tax on the Special Dividend.

You need to bear in mind that the Special Dividend is treated as a dividend only for Australian tax purposes. You should not assume that it will be treated as dividend income in your home country.

## 1.5 Cost base – Trust Units

A Securityholder's cost base for their Trust units should be increased by the capital contribution (being equal to the cash amount of the Special Dividend). Because no new units will be issued by Trust, this will be an adjustment to the cost base of the existing units.

The Capital Reallocation Proposal will not affect the date of acquisition of a Securityholders units in Trust for tax purposes.

## Queries

If you have any questions regarding your investment in the Group, the Resolutions, or what action you should take, please consult your legal, investment, taxation and other professional adviser or contact 360 Capital Investor Services on 1300 082 130 or email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au).



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