360 Capital Group

360 CAPITAL INDUSTRIAL FUND

360 Capital Industrial Fund comprises
360 Capital Industrial Fund (ARSN 099 680 252)
and its controlled entities

Annual Report

FOR THE YEAR ENDED

30 JUNE 2015

360 CAPITAL INDUSTRIAL FUND

Annual Report
For the year ended 30 June 2015

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Cover image: 22 Hawkins Crescent, Bundamba, QLD

The Directors of 360 Capital Investment Management Limited ("CIML"), the Responsible Entity, present their report together with the annual financial report of 360 Capital Industrial Fund (ARSN 099 680 252) and its controlled entities ("the Fund") (ASX:TIX) for the year ended 30 June 2015.

Directors
The following persons were Directors of the Responsible Entity 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 continuing activity of the Fund was investment in industrial properties within Australia. There have been no significant changes in the nature of the Fund's activities since the date of the Fund's establishment.

Operating and financial review
The statutory profit attributable to the unitholders of the Fund for the full year ended 30 June 2015 was $43.9 million (2014: $41.9 million). The operating profit (profit before specific non-cash items and significant items) was $28.2 million (2014: $19.2 million). The increase in operating profit has been driven by the growth in property income from acquisitions and fixed rental increases, lower finance costs and distribution income from Australian Industrial REIT (ASX: ANI).

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 Fund and it is used as a guide to assess the Fund's ability to pay distributions to unitholders.

The following table summarises key reconciling items between statutory profit attributable to the unitholders of the Fund and operating profit. The operating profit information in the table has not been subject to any specific review procedures by the Fund's auditor but has been extracted from Note 12: Segment reporting of the financial statements for the full year ended 30 June 2015, which have been subject to audit; refer to page 51 for the auditor's report on the financial statements.

Operating and financial review (continued)

	30 June 2015 $'000	30 June 2014 $'000
Profit attributable to the unitholders of the Fund	**43,916**	**41,940**
Specific non-cash items		
Net gain on fair value of investment properties	(21,719)	(24,416)
Net loss on derivative financial instruments	4,599	782
Amortisation of borrowing costs	1,088	809
Straight-lining of lease revenue	(1,142)	(1,303)
Amortisation of incentives and leasing fees	605	579
Net loss on fair value of financial assets net of transaction costs	740	-
Significant items		
Net loss on sale of property	88	577
Legal fees on change of custodian	-	203
Operating profit (profit before specific non-cash and significant items)	**28,175**	**19,171**

The key financial highlights for the financial year ended 30 June 2015 include:

- Profit attributable to the unitholders of the Fund of $43.9 million, representing 35.5 cents per unit ("cpu");
- Operating profit increased by 47.0% to $28.2 million;
- Operating profit of 22.8 cpu in line with guidance;
- Distributions per unit ("DPU") increased by 12.9% to 21.0 cpu (2014: 18.6 cpu) and approximately 70% tax deferred;
- Net tangible assets ("NTA") increased to $356.5 million ($2.34 per unit) from $201.9 million ($2.21 per unit) as at 30 June 2014;
- Gearing[1] reduced to 40.0% (2014: 42.1%);
- Debt facility extended, lower debt margins and resetting of interest rate swaps;
- Raised $141.2 million of capital including two fully underwritten DRP's[2]; and
- TIX's closing price on the ASX of $2.41 per unit reflecting a premium to NTA per unit of 3.0%, annualised distribution yield of 8.7% and a total unitholder return of 18.2%.

The key operational highlights for the year ended 30 June 2015 include:

- Portfolio occupancy of 99.7%;
- Maintained WALE[3] at 5.3 years;
- Portfolio property values increased by 6.6% on a like-for-like basis;
- Acquisitions of five properties for a combined value of $155.3 million[4];
- Disposed of $4.5 million of non-core assets with a further $10.5 million exchanged post balance date; and
- Launched a takeover bid ("Offer"[5]) for all the units in ANI with a portfolio of $320.0 million of industrial assets, resulting in a beneficial interest of 31.3% as at 30 June 2015.

1. Gearing: Borrowings less cash divided by total assets less cash
2. DRP: Distribution reinvestment plan
3. WALE: Weighted average lease expiry
4. Excluding stamp duties and legal costs
5. Offer: the formal, off market, takeover offer for all the units in the Australian Industrial REIT (ASX: "ANI")

Property Portfolio

Like for like net property income increased by 1.0% for the period impacted by the Fund's underlying income profile of having over 80% of the property portfolio subject to fixed rent reviews averaging 3.2%. Offsetting this was the unexpected termination and vacancy of the tenancy at 69 Studley Court, Derrimut, VIC and the new rent being reset to the market rate.

The lease expiry profile of the Fund is defensive with 9.1% expiring in in the 2016 financial year ("FY16") and a further 12.1% expiring in the 2017 financial year. CIML has a proven ability to deal with lease expiries early and this has helped keep the portfolio's occupancy above 99.0% and the WALE above 5 years.

There is good visibility on major FY16 expiries including the properties situated at South Oakleigh, Villawood and Wedgewood Road, Hallam having either been leased, renewed or agreed terms on disposal.

<u>Acquisitions and Disposals</u>

The Fund acquired 5 assets for a combined value of $155.3 million in the 2015 financial year. This included a Woolworths portfolio with assets in NSW and QLD, the Greens Foods facility, Yamaha's Australian headquarters and Bradnams Windows & Doors facility also in QLD. The properties were acquired using a combination of debt and equity.

One non-core property, 5-9 Woomera Ave, Edinburgh Parks, SA, was sold for $4.5 million in November 2014 with net proceeds used to reduce debt and fund other acquisitions. Post balance date, the Fund exchanged contracts for the disposal of 33-59 Clarinda Road, South Oakleigh, VIC with settlement expected on or around 18 December 2015 for $10.5 million.

<u>Property valuations</u>

The Fund undertook external independent valuations in October 2014 and March 2015 and resulted in a $35.0 million or 10.8% increase in asset values on a like-for-like basis which helped drive NTA growth of 5.9% to $2.34 per unit in during the year. The Fund's weighted average capitalisation rate ("WACR") stands at 7.95% at the date of this report.

Capital management

In July 2014 the Fund undertook a fully underwritten $61.0 million capital raise at a price of $2.16 per unit comprising an institutional placement, a 1 for 7.25 entitlement offer, a general offer and a new debt facility to fund the acquisition of two properties leased to Woolworths Limited. The offer was significantly over-subscribed with both new and existing institutional investors participating.

The Fund raised $13.0 million and issued 5.5 million units through the DRP during the financial year ended 30 June 2015. A further $67.2 million in equity (27.2 million units) was issued as part consideration for the ANI units acquired through the Offer. Despite raising $141.2 million of equity and issuing an additional 60.9 million units, the Fund's NTA has increased from 30 June 2014 by 5.9% to $2.34 per unit.

Bankwest have been introduced to the syndicated debt facility alongside National Australia Bank ("NAB"), the term extended to December 2017 and the facility limit increased to $305.0 million, providing adequate debt capacity for further acquisitions.

Two new interest rate swaps totalling $230.0 million were entered into at an average rate of 2.65% (excluding any margins) and are hedged for an average of 4.4 years bringing the Fund's all in debt cost to approximately 3.95% at balance date. Gearing has continued to trend downward through asset sales, valuation uplifts and the deployment of DRP proceeds. The Fund remains comfortably within its debt facility covenants and gearing sitting at less than 40.0% at the date of this report.

ANI Takeover

The Offer to acquire 100% of ANI is accretive to the Fund's earnings and distributions and reduces overall gearing. In addition to this, the combined group will benefit from increased liquidity, increased scale, diversification and likely inclusion into the S&P/ASX AREIT 200 Index. With this will come the potential of a broadened investor base, a lower cost of capital through a re-rating which will lead to a greater potential for earnings per unit ("EPU") and DPU growth.

Total assets will be in excess of $900.0 million, the market capitalisation will be approximately $509.7 million and as a combined group, will be the largest pure industrial AREIT on the ASX.

As at 30 June 2015, the Fund owned 31.3% of ANI representing an investment of $68.8 million which is approximately 11.0% of the Fund's gross asset value.

CIML continues to assess acquisitions and mergers and acquisitions ("M&A") opportunities, however finding true value in the direct market without compromising on strategy is challenging. CIML remains committed to acting in the best interest of the Fund and ANI unitholders and bringing the Fund and ANI together.

Summary & Outlook

The Fund's strategy remains unchanged with a focus on acquiring and managing passive industrial assets. Since listing, the Fund has acquired 11 assets for $273.0 million showing a long WALE, high occupancy and attractive yields. Gross assets of the Fund have grown to $623.2 million as at 30 June 2015 (2014: $365.9 million) achieved not only through acquisitions but also organic growth through fixed rent reviews and actively managing pending expiries and tenant requirements.

CIML is committed to making the Fund a meaningful investment proposition with a stated target of inclusion in the S&P/ASX 200 AREIT Index over the near to medium term. The Fund is on track to deliver this, having acquired $155.3 million of assets in the first half of FY15 and launched a takeover offer for ANI comprising $320.0 million of industrial assets, which if successful will result in a market capitalisation of approximately $509.7 million.

Gearing continues to reduce with gearing sitting at below 40.0% at the date of this report. CIML remains resolute in providing unitholders with consistent and growing returns as evidenced by a 7.7% per annum average distribution growth since 2012 and significant outperformance of the S&P/ASX 300 AREIT Accumulation Index.

It is evident that the market clearly supports the Fund's strategy with a total unitholder return of 73% since listing in December 2012, significantly outperforming the S&P/ASX 300 AREIT Accumulation Index over the same period by 25%.

The outlook for the Fund is positive. Recent transaction activity and a forecast continuation of investment demand chasing yield in a low interest rate environment bodes well for industrial property. However, inconsistent occupier demand and soft macro-economic factors are at odds with a seemingly strong appetite for industrial property leading to, in some instances, a mispricing of risk reflected in strong yields for what are considered secondary properties. The strong investment appetite shows no sign of letting up and this may provide the opportunity to dispose of smaller assets not seen as long term holds as more players enter the market.

Competition will lead to premiums being offered for portfolios as institutions and new entrants look for immediate scale. The Fund will remain disciplined in its approach to acquisitions and remain appropriately capitalised continuing to reduce gearing in a responsible manner.

CIML remains committed to bringing the Fund and ANI together however will not lose sight of ensuring the Fund continues to be true to label and deliver superior returns of EPU and DPU growth to Unitholders.

Distributions

Distributions declared during the financial year ended 30 June 2015 are as follows:

	30 June 2015 $'000	30 June 2014 $'000
September 2013 quarter paid 4.65 cpu on 25 October 2013	-	4,355
December 2013 quarter paid 4.65 cpu on 24 January 2014	-	4,376
March 2014 quarter paid 4.65 cpu on 24 April 2014	-	4,384
June 2014 quarter paid 4.65 cpu on 24 July 2014	-	4,256
September 2014 quarter paid 4.80 cpu on 24 October 2014	5,748	-
December 2014 quarter paid 5.0675 cpu on 27 January 2015	6,202	-
March 2015 quarter paid 5.0662 cpu on 24 April 2015	6,327	-
June 2015 quarter paid 6.0663 cpu on 24 July 2015	9,249	-
Total distributions	**27,526**	17,371

Distribution reinvestment plan ("DRP")

The Fund raised $13.0 million (2014: $2.2 million) through the DRP during the financial year ended 30 June 2015. In total, 5.5 million units (2014: 1.1 million) were issued at a discount to the Fund's trading price on the applicable distribution payment dates during the year.

Buy back arrangements

As detailed in the Fund constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders. No buy back arrangements occurred in the financial year ended 30 June 2015 (2014: 2,760,541 units bought back).

Units on issue

During the financial year ended 30 June 2015, the Fund issued 60.9 million units through capital raising, DRP and as part consideration for the units acquired through the ANI Offer. There was no consolidation of the number of units on issue in the current financial year (2014: the conversion of every four units into one unit in the Fund). The total number of units on issue in the Fund as at 30 June 2015 was 152,457,544 (30 June 2014: 91,520,230).

Options

No options over issued units or interests in the Fund 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 Fund.

Fees, commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 26 to the financial statements.

Units held by the Responsible Entity or Related Parties of the Responsible Entity

As at 30 June 2015, related parties of the Responsible Entity held units in the Fund as detailed in Note 26 to the financial statements.

Significant changes in state of affairs

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

Likely developments and expected results of operations
The Responsible Entity continues to implement the strategy of the Fund being to invest in industrial properties within Australia. The Fund continues to seek to return income to unitholders through its distributions and capital growth through increasing the value of the underlying properties.

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

Events subsequent to balance date
No other matters or circumstances apart from those already mentioned in the Responsible Entity Report have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Indemnification and insurance of Officers
During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as Officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the as officers of the 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.

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 10 were the non-audit services provided by the Fund'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 8 and forms part of the Responsible Entity report for the year ended 30 June 2015.

Rounding of amounts
The Fund is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Class Order, amounts in the annual financial report and Responsible Entity 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	**Graham Ephraim Lenzner**
Director	Director

Sydney
19 August 2015

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

In relation to our audit of the financial report of 360 Capital Industrial Fund for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
19 August 2015

360 Capital Industrial Fund and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	30 June 2015 $'000	30 June 2014 $'000
Revenue from continuing operations			
Rental income	4	47,293	37,993
Finance revenue		130	150
Total revenue from continuing operations		**47,423**	38,143
Other income			
Net gain on fair value of investment properties	5	21,719	24,416
Distributions from property funds	6	2,897	-
Total other income		**24,616**	24,416
Total revenue from continuing operations and other income		**72,039**	62,559
Investment property expenses		8,195	7,490
Management fees	26	3,416	2,335
Other administration expenses		545	715
Net Loss on sale of investment properties		88	577
Net loss on fair value of financial assets net of transaction costs	7	740	-
Net loss on derivative financial instruments	8	4,599	782
Finance costs	9	10,540	8,720
Net profit from continuing operations		**43,916**	41,940
Total comprehensive income for the year		**43,916**	41,940
Earnings per unit - basic and diluted - cents per unit	11	**35.5**	45.0

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

360 Capital Industrial Fund and its controlled entities

Consolidated statement of financial position

As at 30 June 2015

	Note	30 June 2015 $'000	30 June 2014 $'000
Current assets			
Cash and cash equivalents	13	6,329	5,749
Receivables	14	4,164	1,830
Investment property – held for sale	15	10,500	4,500
Total current assets		**20,993**	12,079
Non-current assets			
Investment properties	16	533,400	353,800
Financial assets at fair value through profit or loss	17	68,807	-
Total non-current assets		**602,207**	353,800
Total assets		**623,200**	365,879
Current liabilities			
Trade and other payables	18	4,133	2,749
Distribution payable	19	9,249	4,256
Total current liabilities		**13,382**	7,005
Non-current liabilities			
Borrowings	20	251,747	156,102
Derivative financial instruments	21	1,566	856
Total non-current liabilities		**253,313**	156,958
Total liabilities		**266,695**	163,963
Net assets		**356,505**	201,916
Equity			
Issued units	22	398,630	260,431
Accumulated losses		(42,125)	(58,515)
Total equity		**356,505**	201,916

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

360 Capital Industrial Fund and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2015

	Note	Issued units $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014		260,431	(58,515)	201,916
Total comprehensive income for the year		-	43,916	43,916
Transactions with unitholders in their capacity as unitholders				
Units issued through capital raise	22	61,010	-	61,010
Units issued under DRP	22	12,986	-	12,986
Units issued through ANI Offer	22	67,223	-	67,223
Equity raising cost	22	(3,020)	-	(3,020)
Distributions paid and payable	3	-	(27,526)	(27,526)
		138,199	**(27,526)**	**110,673**
Balance at 30 June 2015		**398,630**	**(42,125)**	**356,505**

	Note	Issued units $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013		264,235	(83,084)	181,151
Total comprehensive income for the year		-	41,940	41,940
Transactions with unitholders in their capacity as unitholders				
Units issued under DRP	22	2,190	-	2,190
Equity raising cost	22	(86)	-	(86)
Unit buy back	22	(5,908)	-	(5,908)
Distributions paid and payable	3	-	(17,371)	(17,371)
		(3,804)	(17,371)	(21,175)
Balance at 30 June 2014		260,431	(58,515)	201,916

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

360 Capital Industrial Fund and its controlled entities

Consolidated statement of cash flows

For the year ended 30 June 2015

	Note	30 June 2015 $'000	30 June 2014 $'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		51,716	40,098
Cash payments to suppliers (inclusive of GST)		(16,105)	(14,302)
Finance revenue		130	150
Finance expenses		(9,372)	(7,993)
Net cash inflows from operating activities	24	**26,369**	17,953
Cash flows from investing activities			
Payments for additions to investment properties		(1,209)	(2,443)
Payments of leasing fees and incentives		(1,752)	(219)
Payments for acquisition of investment properties		(164,787)	(3,940)
Proceeds from sale of investment properties		4,412	13,293
Payments for financial assets		(1,563)	-
Net cash (outflows)/inflows from investing activities		**(164,899)**	6,691
Cash flows from financing activities			
Proceeds from borrowings		115,000	10,203
Repayment of borrowings		(19,340)	(13,288)
Proceeds from issue of equity		73,996	-
Payments of unit buy back		-	(5,908)
Payment of transaction costs to issue equity		(3,020)	(86)
Payments of refinancing costs		(4,993)	(63)
Distributions paid to unitholders		(22,533)	(14,573)
Net cash inflows/(outflows) from financing activities		**139,110**	(23,715)
Net increase in cash and cash equivalents		580	929
Cash and cash equivalents at the beginning of the year		5,749	4,820
Cash and cash equivalents at the end of the year	13	**6,329**	5,749

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

Note 1: Statement of significant accounting policies

a) Reporting entity

The general purpose financial statements are for the entity 360 Capital Industrial Fund and its controlled entities ("the Fund"). The Fund is a listed Fund established and domiciled in Australia. The Responsible Entity of the Fund is 360 Capital Investment Management Limited. 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 Fund are disclosed in the Responsible Entity Report.

The financial report was authorised for issue by the Board on 19 August 2015.

The principal activities of the Fund are disclosed in the Responsible Entity report and 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 ("AAS") 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 Industrial Fund and its controlled entities are for-profit entities for the purpose of preparing the financial report.

The financial report has been prepared on an accruals basis and on the historical cost basis except for investment properties, non-current assets held for sale and derivative financial instruments and financial assets at fair value through profit or loss, which are stated at their fair value.

The financial report is presented in Australian dollars.

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

Changes in accounting policy
As a result of new or revised accounting standards which became effective for the financial reporting year commencing 1 July 2014, the Fund has changed some of its accounting policies. The affected policies and standards that are applicable to the Fund are:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities;
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets;
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities;
- AASB 2014-1 Amendment to Australian Accounting Standards - 2010-2012 Cycle;
- AASB 2014-1 Amendment to Australian Accounting Standards - 2011-2013 Cycle; and
- AASB 1031 – Materiality.

For the financial year, the adoption of these amended standards has no material impact on the financial statements of the Fund.

c) Basis of preparation (continued)

Critical accounting estimates

The preparation of a financial report in conformity with AAS 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of AAS that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed in Note 1(t).

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

Certain new or amended AAS 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 Fund 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 28.

d) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Fund as at 30 June 2015 and the results of all subsidiaries for the year then ended.

Subsidiaries are entities controlled by the Fund in accordance with AASB10. 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.

The Fund uses the purchase method of accounting to account for the acquisition of subsidiaries. Intercompany transactions, balances and recognised gains on transactions between Fund 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 Fund.

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

e) Segment reporting

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

f) Revenue recognition

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

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

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

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

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

g) Finance costs

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

h) Income tax

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

i) Impairment of assets

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

j) Cash and cash equivalents

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

k) Receivables

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

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

l) Financial instruments

Financial assets and financial liabilities are recognised when the Fund 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 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.

Receivables
Receivables are recognised initially at fair value and subsequently at amortised cost. More information on the treatment is provided in Note 1(k).

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

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

l) Financial instruments (continued)

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. 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 Fund's right to receive payments is established.

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

The Directors of the Responsible Entity 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 Fund would receive or pay to terminate the swap at the balance date, taking into account current and future interest rates.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Fund 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 Notes 1(o) to 1(r).

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

m) Assets held for sale

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

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

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

Investment properties which are classified as held for sale are carried at fair value as the measurement provisions of AASB 5 Non-current Assets Held for Sale and Discontinuing Operations do not apply to investment properties. This represents the amount that would be received upon sale of the asset between market participants at balance date in accordance with Australian Valuation Standards.

m) Assets held for sale (continued)

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.

n) Investment properties

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

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

o) Trade and other payables

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

p) 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 year of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Fund 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 are amortised immediately upon a borrowing being substantially renegotiated or repaid in full.

q) Provisions

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

q) Provisions (continued)

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

r) Issued units

The Fund issues units which have a limited life under the Fund's constitution and are classified as equity in accordance with *AASB 132 Financial Instruments: Presentation* as amended by *AASB 2009-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*. Units are recognised at initial consideration less any costs relating to the issue.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised AASB 132, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unitholders.

Where the Fund has issued units in exchange for investments in other Funds, the value of the units issued is recognized at fair value with reference to the market rate per unit issued on settlement date.

s) 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.

t) Critical judgements and significant accounting estimates

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

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

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

t) Critical judgements and significant accounting estimates (continued)

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 1(n).

Classification of the investment in ANI as a financial asset held through profit or loss

The Directors have considered that it is appropriate to classify the investment in the ASX listed Fund, ANI, as a financial asset held through profit or loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. 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.

Although the Fund owns an effective 31.3% of the units in ANI, the Directors have concluded that no significant influence exists at balance date in terms of AASB 128 *Investments in Associates and Joint Ventures*. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly, 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can clearly demonstrate that this is not the case. The existence of significant influence by an entity may be evidenced by factors such as, representation on the board of directors or of the investee, participation in policy-making processes, material transactions between the entity and its investee, an interchange of managerial personnel or provision of essential technical information. The Directors, after consideration of these factors and other circumstances associated with the Fund's investment in ANI, consider that no significant influence over the financial and operating policies of ANI exists at balance date.

Derivative financial instruments

The Directors of the Responsible Entity 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 and other comprehensive income.

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the balance date, taking into account current and future interest rates.

u) Accounting standards issued but not yet effective

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2015. They are available for early adoption, but have not been applied in preparing these financial statements. The Fund plans to adopt these standards on the effective date. The impact of these new standards and interpretations are as follows:

- AASB 9 *Financial Instruments (Effective January 1, 2018)*. This standard includes requirements to simplify the approach for the classification and measurement of financial instruments. This is not expected to materially impact the Fund's financial statements
- AASB 15 *Revenue from Contracts with Customers (Effective January 1, 2017)*. This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. At this stage we are currently assessing the impact on the Fund's financial report.

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

- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Effective January 1, 2016)*
- AASB 2014-9 *Equity method in Separate Financial Statements (Effective April 1, 2016)*
- AASB 2015-1 *Annual Improvements to Australian Accounting Standards* – 2012-2014 Cycle *(Effective April 1, 2016)*
- AASB 2015-2 *Disclosure Initiative : Amendments to AASB 101 (Effective April 1, 2016)*
- AASB 2015-3 *Withdrawal of AASB 1031 Materiality (Effective April 1, 2016)*
- AASB 2015-5 *Investment Entities: Applying the Consolidation Exception (Effective April 1, 2016)*

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

Note 2: Financial risk management

Overview
The Fund'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 established risk management principles and policies and monitor their implementation. Policies are established to identify and analyse the financial risks faced by the Fund, 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 Fund's activities.

The nature and extent of the financial instruments and the risk management policies employed by the Fund are discussed in this section.

Note 2: Financial risk management (continued)

a) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund is exposed to credit risk through the financial assets listed in the table below. The table also details the maximum exposure to credit risk for each class of financial instrument.

	30 June 2015 $'000	30 June 2014 $'000
Cash and cash equivalents	6,329	5,749
Receivables	4,164	1,830
Total	**10,493**	7,579

The Fund 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 nor impaired, and all amounts are expected to be received in full.

b) Liquidity risk

Liquidity risk is the risk that the Fund 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 Fund's reputation.

The Fund monitors its exposure to liquidity by ensuring that there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due.

The maturities of financial liabilities at reporting date based on the contractual terms of each liability in place at reporting date have been disclosed in a table in Note 23. There are no financial liabilities where the fair value would be materially different from the amortised cost. The amounts disclosed are based on undiscounted cash flows.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund'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. The Fund's market risk is managed in accordance with the investment guidelines as outlined in the Fund's Product Disclosure Statement.

<u>Interest rate risk</u>
The Fund's interest rate risk arises from long term borrowings and cash balances. The Fund manages this exposure by fixing its interest rates on borrowings.

The potential impact of a change in interest rates by +/-1% on profit and equity has been disclosed in a table in Note 23.

Note 2: Financial risk management (continued)

Price risk

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

The investments within the Fund are only listed 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. The framework of the composition of the securities held by the Fund is in line with Fund policies.

The Fund's exposure to other price risk at reporting date, including its sensitivity to changes in the fair value of equity securities that were reasonably possible has been disclosed in a table in Note 23.

Other markets risk

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

d) Fair value estimation

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

e) Capital Management

Under the direction of the Board, the Fund manages its capital structure to safeguard the ability of the Fund 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 Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units, purchase the Fund's own units, or sell assets to reduce debt.

There were no changes in the Fund's approach to capital management during the year.

Note 3: Distributions

Total distributions paid or payable to unitholders by the Fund during the financial year were as follows:

	30 June 2015 $'000	30 June 2014 $'000
September 2013 quarter paid 4.65 cpu on 25 October 2013	-	4,355
December 2013 quarter paid 4.65 cpu on 24 January 2014	-	4,376
March 2014 quarter paid 4.65 cpu on 24 April 2014	-	4,384
June 2014 quarter paid 4.65 cpu on 24 July 2014	-	4,256
September 2014 quarter paid 4.80 cpu on 24 October 2014	5,748	-
December 2014 quarter paid 5.0675 cpu on 27 January 2015	6,202	-
March 2015 quarter paid 5.0662 cpu on 24 April 2015	6,327	-
June 2015 quarter paid 6.0663 cpu on 24 July 2015	9,249	-
Total distributions	**27,526**	17,371

Note 4: Rental income

	$'000	$'000
Rent	46,756	37,269
Straight-lining of lease revenue	1,142	1,303
Amortisation of incentives and leasing fees	(605)	(579)
	47,293	37,993

Note 5: Net gain on fair value of investment properties

	Note	$'000	$'000
Fair value loss of non-current assets held for sale	15	(8)	(702)
Fair value gain of investment properties	16	21,727	25,118
		21,719	24,416

Note 6: Distributions from property funds

Distributions from property funds include:

	30 June 2015 $'000	30 June 2014 $'000
Australian Industrial REIT (ASX: ANI)	2,897	-
	2,897	-

During the financial year ended 30 June 2015, the Fund acquired interests in the Australian Industrial REIT (ASX: ANI) pursuant to the Offer which is described in more detail in Note 17. The Fund has accrued for the semi-annual distribution of 9.6 cpu for the six months ended 30 June 2015. This distribution is expected to be received in August 2015.

Note 7: Net loss on fair value of financial assets net of transaction costs

	30 June 2015 $'000	30 June 2014 $'000
Gain on fair value of financial assets	(226)	-
Transaction costs	966	-
	740	-

During the financial year ended 30 June 2015, the Fund acquired interests in ANI which is described in more detail in Note 17. The gain on fair value of financial assets recognised is the increase in the fair value of the ANI units since acquisition. At 30 June 2015, the value of the Investment in ANI was revalued to $2.28 per unit being the market closing price on the ASX.

Note 8: Net loss on derivative financial instruments

	30 June 2015 $'000	30 June 2014 $'000
Net loss on fair value of derivative financial instruments	4,408	782
Loss on termination of derivative financial instruments	191	-
	4,599	782

In line with increases in the debt facility and lower interest rates, the Fund reset its interest rate swap commercial hedges during the financial year ended 30 June 2015.

As at balance date the Fund had two interest rate swaps, comprising a $20 million interest rate swap at a fixed rate of 2.615% (excluding any margin and line fees) expiring on 7 January 2018 and a $210 million interest rate swap at a fixed rate of 2.655% (excluding any margin and line fees) expiring on 9 February 2020.

Note 9: Finance costs

	30 June 2015 $'000	30 June 2014 $'000
Interest and finance charges paid and payable	9,452	7,911
Borrowing cost amortisation	1,088	809
	10,540	8,720

Note 10: Auditors' remuneration

	$	$
Audit services – Ernst & Young		
Audit services	88,010	85,114
Audit of compliance plan	3,000	3,000
Other assurance services	40,000	105,000
	131,010	193,114
Other services – Ernst & Young		
Taxation compliance services	49,750	50,500
Total auditors' remuneration	**180,760**	243,614

Note 11: Earnings per unit

	¢	¢
Basic and diluted earnings per unit	35.5	45.0

	$'000	$'000
Basic and diluted earnings		
Net profit attributable to unitholders	43,916	41,940

	000's	000's
Weighted average number of units		
Weighted average number of units	123,555	93,268

Note 12: Segment reporting

The Fund invests solely in industrial properties within Australia.

The Chief Operating Decision Maker being, the Managing Director of the Responsible Entity, monitors the performance and results of the Fund at a total Fund level. As a result, the Fund has only one segment. Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for specific non-cash items and other significant items which management consider to reflect the core earnings of the Fund and is used as a guide to assess the Funds ability to pay distributions to unitholders.

The following table summarises key reconciling items between statutory profit attributable to the unitholders of the Fund and operating profit.

	30 June 2015 $'000	30 June 2014 $'000
Profit attributable to the unitholders of the Fund	**43,916**	41,940
Specific non-cash items		
Net gain on fair value of investment properties	(21,719)	(24,416)
Net loss on derivative financial instruments	4,599	782
Amortisation of borrowing costs	1,088	809
Straight-lining of lease revenue	(1,142)	(1,303)
Amortisation of incentives and leasing fees	605	579
Net loss on fair value of financial assets net of transaction costs	740	-
Significant items		
Net loss on sale of property	88	577
Legal fees on change of custodian	-	203
Operating profit (profit before specific non-cash and significant items)	**28,175**	19,171

Weighted average number of units (‘000)	**123,555**	93,268
Operating profit per unit (profit before specific non-cash and significant items) (EPU) - cents	**22.8**	20.6

Note 13: Cash and cash equivalents

	$'000	$'000
Cash at bank	6,329	5,749
Cash and cash equivalents in the statement of cash flows	**6,329**	5,749

Note 14: Receivables

	30 June 2015 $'000	30 June 2014 $'000
Current		
Trade receivables	389	776
Distributions receivable	2,897	-
Prepayments and other receivables	878	1,054
	4,164	1,830

a) Bad and doubtful trade receivables
During the year, the Fund incurred $189,702 (2014: $41,828) in respect of writing off and provisioning for bad and doubtful trade receivables. At balance date the provision for bad and doubtful receivables was $28,430 (2014: $44,548)

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

c) Credit risk
The Fund reviews all receivables for impairment. Any receivables which are doubtful have been provided for.

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

	30 June 2015 $'000	30 June 2014 $'000
Current	308	555
1 to 3 months	48	216
More than 3 months	61	49
	417	820

As at 30 June 2015, trade receivables of $80,595 (2014: $220,685) were past due but not provisioned for.

Note 15: Investment property - held for sale

	30 June 2015 $'000	30 June 2014 $'000
5-9 Woomera Avenue, Edinburgh Parks, SA	-	4,500
33-59 Clarinda Road, South Oakleigh, VIC	10,500	-
	10,500	4,500
Less: lease income receivable	(42)	-
	10,458	4,500

Assets are classified as held for sale when it is considered highly probable that they would be sold within 12 months of the balance date.

5-9 Woomera Avenue, Edinburgh Parks, SA was disposed of on 28 November 2014 for $4.5 million, with net proceeds used to repay debt and fund other acquisitions.

On 17 June 2015, the Fund signed a Heads of Agreement for the sale of 33-59 Clarinda Road, South Oakleigh, VIC. Unconditional contracts were exchanged on 18 August 2015 with settlement expected on or around 18 December 2015 for $10.5 million.

Movement during the financial year:

	Note	30 June 2015 $'000	30 June 2014 $'000
Opening balance as at 1 July		4,500	28,700
Transfer from investment properties	16	10,500	-
Transfer to investment properties	16	-	(18,700)
Additions to investment properties		-	62
Straight-lining of lease revenue		-	(256)
New incentives and leasing fees		8	-
Amortisation of incentives and leasing fees		-	(34)
Net loss on fair value of investment properties		(8)	(702)
Disposal		(4,500)	(4,570)
Closing balance		**10,500**	4,500

Note 16: Investment properties

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	**30 June 2015 $'000**	30 June 2014 $'000	**30 June 2015 %**	30 June 2014 %	**30 June 2015 %**	30 June 2014 %	**Date of last external valuation**	**Last external valuation $'000**
Investment property valuations									
12-13 Dansu Court, Hallam, VIC	Dec 03	**13,650**	11,900	**7.75**	8.25	**8.75**	9.50	Mar 15	13,650
14-17 Dansu Court, Hallam, VIC	Dec 03	**16,250**	15,500	**7.75**	8.25	**8.75**	9.50	Mar 15	16,250
39-45 Wedgewood Road, Hallam, VIC	Dec 03	**8,500**	8,500	**8.25**	8.25	**9.75**	9.75	Apr 14	8,500
310 Spearwood Avenue, Bibra Lake, WA	May 05	**50,000**	48,200	**8.50**	8.90	**10.25**	10.75	Oct 14	50,000
6 Albert Street, Preston, VIC	Mar 06	**25,400**	23,000	**8.00**	8.75	**9.00**	9.50	Mar 15	25,400
102-128 Bridge Road, Keysborough, VIC	Jul 06	**29,200**	26,500	**8.00**	8.75	**9.00**	9.50	Mar 15	29,200
60 Marple Avenue, Villawood, NSW	Feb 07	**20,000**	20,000	**8.75**	8.75	**9.75**	9.75	Apr 14	20,000
500 Princes Highway, Noble Park, VIC	Oct 07	**20,000**	20,000	**8.75**	8.75	**9.75**	9.75	Apr 14	20,000
8 Penelope Crescent, Arndell Park, NSW	Nov 07	**14,500**	14,500	**8.50**	8.50	**9.75**	9.75	Apr 14	14,500
37-51 Scrivener Street, Warwick Farm, NSW	Jan 08	**24,700**	21,750	**8.50**	9.25	**9.50**	10.25	Mar 15	24,700
54 Sawmill Circuit, Hume, ACT	Jun 12	**14,500**	13,800	**7.75**	8.00	**9.25**	9.50	Oct 14	14,500
9-13 Caribou Drive, Direk, SA	Jun 12	**9,800**	9,550	**8.25**	8.50	**9.25**	9.50	Mar 15	9,800
22 Hawkins Crescent, Bundamba, QLD	Jun 12	**40,500**	36,200	**7.50**	8.00	**8.75**	9.50	Mar 15	40,500
1 Ashburn Road, Bundamba, QLD	Jun 12	**35,000**	33,000	**8.00**	8.25	**9.25**	10.00	Oct 14	35,000
33-59 Clarinda Road, South Oakleigh VIC	Aug 06	**-**	10,100	**-**	9.25	**-**	10.50	Jun 14	10,100
457 Waterloo Road, Chullora, NSW	Jun 13	**24,300**	20,300	**7.00**	8.00	**8.75**	9.50	Mar 15	24,300
69 Studley Court, Derrimut, VIC	Jun 13	**20,400**	21,000	**7.50**	7.75	**9.00**	9.50	Apr 14	21,000
2 Woolworths Way, Warnervale, NSW	Jul 14	**76,500**	-	**7.50**	-	**9.00**	-	Mar 15	76,500
21 Jay Street, Mount St John, Townsville, QLD	Jul 14	**10,200**	-	**8.00**	-	**8.75**	-	Mar 15	10,200
33-37 Mica Street, Carole Park, QLD	Sep 14	**25,500**	-	**7.50**	-	**9.50**	-	Mar 15	25,500
69 Rivergate Place, Murarrie, QLD	Dec 14	**28,250**	-	**7.25**	-	**8.50**	-	Mar 15	28,250
136 Zillmere Road, Boondall, QLD	Jan 15	**26,250**	-	**8.25**	-	**9.00**		Mar 15	26,250
Total		**533,400**	353,800						
Less: lease income receivable		**(9,936)**	(7,696)						
		523,464	346,104						

Note 16: Investment Properties (continued)

	Note	30 June 2015 $'000	30 June 2014 $'000
Movement during the financial year:			
Opening balance as at 1 July		353,800	312,000
Transfer from non-current assets held for sale	15	-	18,700
Transfer to non-current assets held for sale	15	(10,500)	-
Additions to investment properties		1,173	2,047
Acquisitions of investment properties		164,919	4,022
Disposals		-	(9,300)
Net gain on fair value of investment properties		21,727	25,118
Straight-lining of lease revenue		1,142	1,303
New incentives and leasing fees		1,744	455
Amortisation of incentives and leasing fees		(605)	(545)
Closing balance		**533,400**	353,800

On 29 July 2014, the Fund settled the acquisitions of 2 Woolworths Way, Warnervale, NSW and 21 Jay Street, Mount St John, Townsville, QLD. The consideration paid for the purchases was $84.2 million which included stamp duty and legal costs. The acquisitions were largely funded by the fully underwritten institutional placement completed in July 2014.

On 22 September 2014, the Fund settled the acquisition of 33-37 Mica Street, Carole Park, QLD for a total cash consideration of $25.4 million including stamp duty and legal costs. On 19 December 2014, the Fund settled the acquisition of 69 Rivergate Place, Murarrie, QLD for a total cash consideration of $28.7 million including stamp duty and legal costs. Lastly, on 16 January 2015, the Fund settled the acquisition of 136 Zillmere Road, Boondall, QLD for a total cash consideration of $26.6 million.

During the financial year, the Fund undertook external valuations on the majority of its investment properties (excluding investment properties classified as held for sale). These external valuations were completed on 31 October 2014 and again on 31 March 2015.

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. As discounted cash flow and capitalisation rate use unobservable inputs, the investment property is categorised as Level 3 under the Fair Value Hierarchy. These inputs include net passing rent, gross market rent and net market rent as set out in the sensitivity matrix in Note 16(b). For all investment properties current use reflects highest and best use.

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.

Note 16: Investment Properties (continued)

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 absolute 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 on termination ("termination yield").

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 information

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

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note 23 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).

Note 16: Investment Properties (continued)

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 2015 $'000	30 June 2014 $'000
No later than 12 months	42,326	30,007
Between 12 months and five years	135,431	92,601
Greater than five years	81,718	45,972
	259,475	168,580

Note 17: Financial assets at fair value through the profit or loss

	30 June 2015 %	30 June 2014 %	30 June 2015 $'000	30 June 2014 $'000
Non-current				
Units in Australian Industrial REIT (ASX: ANI)	31.3	-	68,807	-
Total	**31.3**	**-**	**68,807**	-

On 19 December 2014, a formal, off market, takeover offer for all the units in the Australian Industrial REIT (ASX code: ANI) was made by the Fund.

The Offer proposed to ANI unitholders (as outlined in the Bidder's Statement and supplementary versions) provided for a unit exchange of 0.9 TIX units for every one ANI unit, a 4.5 cents cash payment per ANI unit and an additional 10 cents cash payment per ANI unit to be paid by the 360 Capital Group upon satisfaction of the Cash Payment Condition. Satisfaction of the Cash Payment Condition was based on either ANI unitholder acceptances of the Offer being greater than 50% or a member of the 360 Capital Group being appointed as Responsible Entity of ANI, on or before the day before the end of the Offer Period. At balance date the Cash Payment Condition was not met. The Offer period is currently open until 28 September 2015.

At balance date, the Fund had acquired 30.2 million (31.3%) of the total issued units in ANI from ANI unitholders that accepted the Offer. The Fund issued 27.2 million units in TIX (valued at $67.2 million based on the daily market trading rates of TIX) in accordance with the exchange of 0.9 TIX units for every ANI unit and had paid out $1.4 million as part of the 4.5 cpu cash payment term.

At 30 June 2015, the value of the Investment in ANI was revalued to $2.28 per unit being the market closing price on the ASX.
More information on the accounting policies can be found in Note 1(l).

Note 17: Financial assets at fair value through the profit or loss (continued)

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

	Note	30 June 2015 $'000	30 June 2014 $'000
Balance at 1 July		-	-
Financial assets acquired through the Offer		68,581[1]	-
Gain on fair value of financial assets	7	226	-
Closing balance		68,807	-

1) The fair value of financial assets acquired includes the fair market value of TIX units exchanged and the 4.5 cents cash payment per ANI unit.

Note 18: Trade and other payables

	$'000	$'000
Trade payables	18	198
Accruals and other creditors	4,115	2,551
	4,133	2,749

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

Note 19: Distribution payable

	$'000	$'000
Distribution payable	9,249	4,256

The distribution payable represents the June 2015 quarter distribution (6.0663 cpu) which was paid on 24 July 2015.

Note 20: Borrowings

	30 June 2015 $'000	30 June 2014 $'000
Non-current		
Borrowings - secured	253,000	157,340
Capitalised borrowing costs	(1,253)	(1,238)
	251,747	156,102
Borrowings - secured		
Total facility limit	305,000	180,000[1]
Used at end of reporting date	253,000	157,340
Unused at end of reporting date	**52,000**	22,660

1) Total facility included a bank guarantee facility of $2.65 million which was terminated in July 2014

Movement during the financial year:		
Opening balance	157,340	160,425
Repayments of facility	(19,340)	(13,288)
Drawdowns from facility	115,000	10,203
Closing balance	**253,000**	157,340

a) Loan facilities summary

On 25 July 2014, the Fund amended the NAB loan facility by increasing the available limit to $230.0 million ($180.0m; 30 June 2014), reducing the margin and extending the term to 31 July 2017.

The facility was subsequently amended on 17 December 2014 with the introduction of a new financier (Bankwest) contributing another $75.0 million to the syndicated facility (bringing the total available facility to $305.0 million at balance date). The Fund negotiated to reduce margins and extend the term of the syndicated facility to 19 December 2017.

b) 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 Fund complies with all debt covenants and did at all times during the year.

As at 30 June 2015 the debt facility was drawn to $253.0 million, which represents a Loan to Value Ratio ("LVR") of 46.5% based on the most recent external valuations adopted by the banking syndicate, which complied with the bank covenant of less than 55.0%.

As at 30 June 2015 the interest cover ratio was calculated to be 4.3 times, which complied with the bank covenant of nothing less than 1.6 times.

Note 20: Borrowings (continued)

c) Assets pledged as security

The loans are secured by a registered first mortgage over the investment property.

The carrying amounts of assets pledged as security are:

	Note	30 June 2015 $'000	30 June 2014 $'000
Investment properties held for sale	15	10,500	4,500
Investment properties	16	533,400	353,800
		543,900	358,300

Note 21: Derivative financial instruments

	$'000	$'000
Non-current liabilities		
Interest rate swap contracts - fair value	1,566	856
Total	**1,566**	856

The Fund utilises derivative financial instruments to hedge exposure to fluctuations in interest rates.

a) Interest rate swap commercial hedge contracts

Interest-bearing liabilities of the Fund carried a weighted average effective interest rate of 3.95% (2014: 4.97%) at balance date. The debt may be protected all or in part from exposure to increasing interest rates, and to ensure steady cash flow of the Fund. Accordingly, the Fund has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swap contracts currently in place cover approximately 90.9% (2014: 98.5%) of the loan principal. At balance date, the total principle value of interest rate swaps in place covered $230.0 million (2014: $155.0 million). Further information regarding the swap contracts in place during the financial year is available in Note 8.

The contracts require settlement of net interest receivable or payable each month.

As explained in Note 1(l), 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 22: Equity

(a) Issued Units

	30 June 2015 000's	30 June 2014 000's
360 Capital Industrial Fund - Ordinary units issued	152,458	91,520

	$'000	$'000
360 Capital Industrial Fund - Ordinary units issued	398,630	260,431

(b) Movements in issued units

Movements in issued units of the Fund for the year ended 30 June 2015 were as follows:

Movement in number of issued units:

	000's	000's
Opening balance	91,520	372,886
1 for 4 units consolidation in July 2014	-	(279,664)
Equity issued through DRP	5,533	1,059
Equity issued through capital raise	28,245	-
Equity issued through ANI Offer	27,160	-
Unit buy backs	-	(2,761)
Closing balance	**152,458**	91,520

Movement in value of issued units:

	$'000	$'000
Opening balance	260,431	264,235
Equity issued through DRP	12,986	2,190
Equity issued through capital raise	61,010	-
Equity issued through ANI Offer	67,223	-
Equity raising cost	(3,020)	(86)
Unit buy backs	-	(5,908)
Closing balance	**398,630**	260,431

In line with the Product Disclosure Statement ("PDS") issued on 17 July 2014, the Fund raised $61.0 million in equity during July and August 2014. This cash was used to acquire two properties fully leased to Woolworths on long term leases for $79.4 million (total purchase price excluding stamp duty and legal expenses). The $61.0 million capital raise was fully underwritten comprising an institutional placement, a 1 for 7.25 retail entitlement offer and a general offer the offer price was $2.16. Issuance of new units totalling 21,551,772 ($46.5 million) for the institutional placement and accelerated retail placement (investors who chose to accelerate their settlement of the 1 for 7.25 entitlement offer) occurred on 29 July 2014. Issuance of the remaining units totalling 6,693,373 ($14.5 million) for the retail entitlement offer occurred on 27 August 2014.

Note 22: Equity (continued)

The Fund raised $13.0 million through the DRP during the financial year ended 30 June 2015. In total, 5,532,395 units were issued on the distribution payment dates in October 2014, January 2015 and April 2015 when the DRP was in effect. Units were issued at a 1.5% discount to the Fund's 10 day weighted average trading price as per the Fund's DRP policy.

	30 June 2015 $'000	30 June 2014 $'000
June 2013 quarter DRP issued 430,143 units at $2.0539 per unit	-	884
September 2013 quarter DRP issued 459,804 units at $2.0957 per unit	-	964
December 2013 quarter DRP issued 168,532 units at $2.0283 per unit	-	342
September 2014 quarter DRP issued 2,619,679 units at $2.1944 per unit	5,748	-
December 2014 quarter DRP issued 2,504,150 units at $2.4766 per unit	6,202	-
March 2015 quarter DRP issued 408,566 units at $2.5356 per unit	1,036	-
Total distributions reinvested	**12,986**	2,190

Pursuant to the ANI Offer (described in more detail in Note 17), the Fund issued 27,159,774 units (valued at $67.2 million based on the daily market trading rates of TIX) during the Financial year ended 30 June 2015. The Offer terms stated that the Fund would issue 0.9 TIX units for every ANI unit of ANI unitholders that accepted the Offer. The Offer period is currently open until 28 September 2015.

Note 23: Financial instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Fund as at 30 June 2015:

	Amortised cost		Fair value profit or loss	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Financial assets				
Receivables	4,164	1,830	-	-
Total current	**4,164**	1,830	-	-
Financial assets at fair value through profit or loss	-	-	68,807	-
Total non-current	**-**	-	**68,807**	-
Total	**4,164**	1,830	**68,807**	-
Financial liabilities				
Trade and other payables	4,133	2,749	-	-
Distributions payable	9,249	4,256	-	-
Total current	**13,382**	7,005	-	-
Borrowings	251,747	157,340	-	-
Derivative financial instruments	-	-	1,566	856
Total non-current	**251,747**	157,340	**1,566**	856
Total	**265,129**	164,345	**1,566**	856

Note 23: Financial instruments (continued)

Fair values
Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2015:

	Carrying amount		**Fair value**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Financial assets				
Receivables	4,164	1,830	4,164	1,830
Total current	**4,164**	1,830	**4,164**	1,830
Financial assets at fair value through profit or loss	68,807	-	68,807	-
Total non-current	**68,807**	-	**68,807**	-
Total	**72,971**	1,830	**72,971**	1,830
Financial liabilities				
Trade and other payables	4,133	2,749	4,133	2,749
Distributions payable	9,249	4,256	9,249	4,256
Total current	**13,382**	7,005	**13,382**	7,005
Borrowings	251,747	156,102	253,000	157,340
Derivative financial instruments	1,566	856	1,566	856
Total non-current	**253,313**	156,958	**254,566**	158,196
Total	**266,695**	163,963	**267,948**	165,201

The fair values of receivables, trade and other payables and distributions payable 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 non-current liabilities are all categorised within the fair value hierarchy as Level 2 inputs.

Risk management activities

Credit risk
The carrying amounts of financial assets included in the statement of financial position represent the Fund's exposure to credit risk in relation to these assets. Credit risk management is detailed in Note 2(a).

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

Note 23: Financial instruments (continued)

The Fund's exposure to interest rate risk 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 2015						
Financial assets						
Cash and cash equivalents	6,329	-	-	-	-	6,329
Trade and other receivables	-	-	-	-	4,164	4,164
Financial assets at fair value through profit or loss	-	-	-	-	68,807	68,807
Total financial assets	**6,329**	**-**	**-**	**-**	**72,971**	**79,300**
Weighted average interest rate	1.50%					
Financial liabilities						
Trade and other payables	-	-	-	-	4,133	4,133
Distributions payable	-	-	-	-	9,249	9,249
Borrowings	23,000	-	230,000	-	-	253,000
Derivative financial instruments	-	-	-	-	1,566	1,566
Total financial liabilities	**23,000**	**-**	**230,000**	**-**	**14,948**	**267,948**
Weighted average interest rate	3.34%		3.90%			
Net financial assets (liabilities)	**(16,671)**	**-**	**(230,000)**	**-**	**58,023**	**(188,648)**
30 June 2014						
Financial assets						
Cash and cash equivalents	5,749	-	-	-	-	5,749
Trade and other receivables	-	-	-	-	1,830	1,830
Total financial assets	5,749	-	-	-	1,830	7,579
Weighted average interest rate	2.45%					
Financial liabilities						
Trade and other payables	-	-	-	-	2,749	2,749
Distributions payable	-	-	-	-	4,256	4,256
Borrowings	2,340	-	155,000	-	-	157,340
Derivative financial instruments	-	-	-	-	856	856
Total financial liabilities	2,340	-	155,000	-	7,861	165,201
Weighted average interest rate	4.47%		4.75%			
Net financial assets (liabilities)	3,409	-	(155,000)	-	(6,031)	(157,622)

Note 23: Financial instruments (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 Group's profit and equity.

		Change in interest rate	
		-1%	**+1%**
	Carrying amount	**Profit**	**Profit**
	$'000	**$'000**	**$'000**
30 June 2015			
Financial assets			
Cash and cash equivalents	6,329	(63)	63
Financial liabilities			
Borrowings	251,747	230	(230)
Derivative financial instruments	1,566	(9,842)	9,399
Total increase (decrease)		**(9,675)**	**9,232**
30 June 2014			
Financial assets			
Cash and cash equivalents	5,749	(57)	57
Financial liabilities			
Borrowings	156,102	23	(23)
Derivative financial instruments	856	(2,582)	2,536
Total increase (decrease)		(2,616)	2,570

Note 23: Financial instruments (continued)

Liquidity risk

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

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 Year $'000	Between 1-5 Years $'000	Over 5 Years $'000
30 June 2015					
Trade and other payables	4,133	4,133	-	-	-
Distribution payable	9,249	9,249	-	-	-
Borrowings	251,747	274,549	8,710	265,839	-
Derivative financial instruments	1,566	5,743	1,292	4,451	-
	266,695	**293,673**	**10,002**	**270,290**	-
30 June 2014					
Trade and other payables	2,749	2,749	2,749	-	-
Distribution payable	4,256	4,256	4,256	-	-
Borrowings	156,102	168,464	7,396	161,068	-
Derivative financial instruments	856	724	429	295	-
	163,963	176,193	14,830	161,363	-

Fair value risk

The carrying amounts of assets and liabilities measured at fair value through profit and loss included in the statement of financial position represent the Fund's exposure to fair value risk. Fair value risk management with respect to the Investment properties and non-current assets held for sale is detailed in Notes 15 and 16. Fair value risk management with respect to financial instruments which are measured at fair value through profit and loss are detailed below.

The Fund held the following classes of financial instruments measured at fair value:

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 30 June 2015:				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	68,807	68,807	-	-
Financial liabilities measured at fair value				
Derivative financial instruments	1,566	-	1,566	-
As at 30 June 2014:				
Financial liabilities measured at fair value				
Derivative financial instruments	856	-	856	-

Note 23: Financial instruments (continued)

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

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

Valuation techniques

Financial assets at fair value through profit or loss
The Fund has only invested in listed 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.

Derivative financial instruments
For derivatives, as market prices are unavailable the Group uses valuation models to derive fair value. The models are industry standard and mostly employ a Black–Scholes framework to calculate the expected future value of payments by derivative, which is discounted back to a present value. The models' interest rate inputs are benchmark interest rates such as BBSW and active broker quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced through a consensus data provider. As such, the input parameters into the models are deemed observable, thus these derivatives are categorised as Level 2 instruments.

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

	30 June 2015 $'000	30 June 2014 $'000
Net profit for the year	**43,916**	41,940
Adjustment for:		
Net changes in fair value of investment properties	(21,719)	(24,416)
Net loss on derivative financial instruments	4,599	782
Loss on sale of properties	88	577
Amortisation of borrowing costs	1,088	809
Net loss on fair value of financial assets net of transaction costs	740	-
Changes in assets and liabilities:		
(Increase) in receivables and prepayments	(3,003)	(1,008)
(Decrease) in trade and other payables	660	(731)
Net cash inflows from operating activities	**26,369**	17,953

During the financial year ended 30 June 2015, non-cash transactions regarding the investing and financing activities were entered into by the Fund which have been excluded from the statement of cash flows. The acquisition of ANI units pursuant to the Offer was predominantly non-cash and had a direct effect on the capital and asset structure of the Fund. Units valued at $67.2 million (27.2 million units) were issued as part consideration for the 30.2 million ANI units acquired through the Offer. Details of the Offer are discussed in more detail in Note 17.

Note 25: Capital commitments and contingencies

In accordance with the ANI Offer (discussed in more detail in Note 17), a possible future obligation exists at balance date for the Fund to pay 4.5 cents per ANI unit to all remaining ANI unitholders that accept the Offer. This would result in a cash payment of $3.0 million to the remaining 68.7%. No other capital commitments and contingencies exist at the end of the financial year.

Note 26: Related party transactions

Responsible Entity

The Responsible Entity of 360 Capital Industrial Fund is 360 Capital Investment Management Limited, a wholly owned subsidiary with it's the ultimate parent entity being 360 Capital Group Limited.

Responsible Entity's fees and other transactions

Under the terms of the constitution, the Responsible Entity is entitled to receive fees in accordance with the Product Disclosure Statement.

Note 26: Related party transactions (continued)

Management fees

	30 June 2015 $	30 June 2014 $
Fees for the year paid/payable by the Fund:		
Management of the Fund	3,119,967	2,141,571
Custodian fees	259,997	179,213
Fund recoveries	36,009	13,832
	3,415,973	2,334,616

	$	$
Aggregate amounts due to the Responsible Entity at balance date:		
Management of the Fund	879,746	550,537
Custodian fees	676	-
Fund recoveries	33,602	9,217
	914,024	559,754

The Responsible Entity is entitled to a management fee of 0.65% per annum of the gross asset value of the Fund calculated in accordance with the Fund's constitution. The Responsible Entity has elected to charge 0.60% per annum.

Custodian fees are paid to the custodian, also being 360 Capital Investment Management Limited, and calculated in accordance with the constitution at a rate of 0.05% of the Fund's gross assets.

Unitholdings

Other Funds managed by and Related to the Responsible Entity held units in the Fund as follows:

	30 June 2015	30 June 2014
360 Capital Diversified Property Fund		
Number of units held	26,504,714	14,410,847
Interest % held	17.38%	15.75%
Distributions paid/payable by the Fund ($)	3,807,934	2,665,872
360 Capital AREIT Fund		
Number of units held	16,204	-
Interest % held	0.01%	-
Distributions paid/payable by the Fund ($)	3,403	-

Note 26: Related party transactions (continued)

On 19 December 2014, an Offer for all the units in ANI was made by the Responsible Entity on behalf of the Fund (this is described in more detail in Note 17). During the financial year ended 30 June 2015 and prior to the announcement of the Offer, the 360 Capital Diversified Fund and the Trafalgar Opportunity Fund No. 4 acquired 5.5% and 7.39% respectively in ANI. These two Funds are wholly owned by 360 Capital Investment Trust which consequently had a total 12.89% ownership of ANI. 360 Capital Investment Trust is stapled to 360 Capital Group Limited, the ultimate parent of the Responsible entity of 360 Capital Industrial Fund. In line with the Offer, these ANI units were converted to TIX units in May 2015 once the Offer had been declared unconditional. Trafalgar Opportunity Fund No. 4 thereafter transferred its units to 360 Capital Diversified Property Fund. Ultimately, the 360 Capital Diversified Property Fund had acquired 11,177,061 units in TIX through the Offer.

Remuneration of Directors and Key Management Personnel of the Responsible Entity

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the Key Management Personnel ("KMP"). The Directors of the Responsible Entity are KMP.

No compensation is paid directly by the Fund to Directors or to any KMP of the Responsible Entity.

Loans to Directors and Key Management Personnel of the Responsible Entity

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the Directors and KMP or their personally related entities at any time during the financial year.

Other transactions with Directors and Specified Executives of the Responsible Entity

From time to time, Directors and KMP or their personally related entities may buy or sell units in the Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors.

Management personnel Unit holdings

The number of units held directly or indirectly by Directors, Key Management Personnel and their related parties as at 30 June 2015 are as follows:

Name	Position	30 June 2014 Equity Holding	Acquisitions	30 June 2015 Equity Holding
David van Aanholt	Director	24,092	5,068	29,160
Tony Robert Pitt	Director	607,102	118,896	725,998
William John Ballhausen	Director	80,000	11,035	91,035
Graham Ephraim Lenzner	Director	70,000	23,318	93,318
Andrew Graeme Moffat	Director	84,956	13,957	98,913

Note 27: Controlled entities

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

Name of entity	Country of Domicile	Class of units	Equity Holding 2015	Equity Holding 2014
			%	%
BIPT Preston No. 1 Sub Trust	Australia	Ordinary	100	100
BIPT Marple Ave Holding Trust	Australia	Ordinary	100	100
BIPT Marple Ave Sub Trust	Australia	Ordinary	100	100
BIPT Westgate St Holding Trust[1]	Australia	Ordinary	-	100
BIPT Westgate St Sub Trust[1]	Australia	Ordinary	-	100
BIPT Clarinda Rd Holding Trust	Australia	Ordinary	100	100
BIPT Clarinda Rd Sub Trust	Australia	Ordinary	100	100
BIPT Building 2 Kemblawarra Business Park[1]	Australia	Ordinary	-	100
BIPT Building 2 Kemblawarra Business Park Sub Trust[1]	Australia	Ordinary	-	100
BIPT Barry Rd Holding Trust[1]	Australia	Ordinary	-	100
BIPT Barry Rd Sub Trust[1]	Australia	Ordinary	-	100
BIPT Howleys Rd Holding Trust[1]	Australia	Ordinary	-	100
BIPT Howleys Rd Sub Trust[1]	Australia	Ordinary	-	100
BIPT Noble Park Holding Trust	Australia	Ordinary	100	100
BIPT Noble Park Sub Trust	Australia	Ordinary	100	100
BIPT Scrivener Street Holding Trust	Australia	Ordinary	100	100
BIPT Scrivener Street Sub Trust	Australia	Ordinary	100	100
Stradbroke Street Holding Trust[1]	Australia	Ordinary	-	100
Stradbroke Street Sub Trust[1]	Australia	Ordinary	-	100

1) These entities were wound up during the financial year ended 30 June 2015.

Note 28: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Industrial Fund. The information presented below has been prepared using the consistent accounting policies as presented in Note 1.

	30 June 2015 $'000	30 June 2014 $'000
Current assets	8,741	5,992
Non-current assets	584,756	347,699
Total assets	**593,497**	353,691
Current liabilities	12,085	6,074
Non-current liabilities	253,313	156,958
Total liabilities	**265,398**	163,032
Issued units	398,630	260,431
Accumulated losses	(70,531)	(69,772)
Total equity	**328,099**	190,659
Net profit for the year	26,767	26,689
Total comprehensive profit for the year attributable to unitholders	**26,767**	26,689

Note 29: Events subsequent to balance date

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

360 Capital Industrial Fund and its controlled entities

Directors' declaration

For the year ended 30 June 2015

1) The Directors of 360 Capital Investment Management Limited, the Responsible Entity, declare that:

(a) The consolidated financial statements and notes that are set out on pages 13 to 49, 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 2015 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 Fund 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 the Chief Financial Officer for the financial year ended 30 June 2015.

4) The Directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial reporting Standards.

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

Tony Robert Pitt	**Graham Ephraim Lenzner**
Director	Director

Sydney
19 August 2015

Building a better working world

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Independent auditor's report to the unitholders of 360 Capital Industrial Fund

Report on the Financial Report

We have audited the accompanying financial report of 360 Capital Industrial Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the 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 Industrial Fund is 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 2015 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
19 August 2015

UNITHOLDER INFORMATION

Information below was prepared as at 11 August 2015

a) Top 20 registered unitholders:

Holder Name	Units held	% of issued Units
360 CAPITAL INVESTMENT MANAGEMENT LIMITED	26,504,714	17.250
J P MORGAN NOMINEES AUSTRALIA LIMITED	21,609,994	14.064
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C>	5,557,025	3.617
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,481,352	2.917
NATIONAL NOMINEES LIMITED	4,135,920	2.692
CITICORP NOMINEES PTY LIMITED	2,674,997	1.741
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,229,533	1.451
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	1,675,965	1.091
WYLLIE GROUP PTY LTD <WYLLIE GROUP PTY LTD A/C>	1,388,889	0.904
UBS NOMINEES PTY LTD	1,032,518	0.672
WYLLIE GROUP PTY LTD	1,000,000	0.651
HORRIE PTY LTD	885,000	0.576
BNP PARIBAS NOMS PTY LTD <DRP>	866,922	0.564
MISS YVONNE CATHERINE LYNCH	860,000	0.560
STANBOX NO 2 PTY LTD	710,000	0.462
SANDHURST TRUSTEES LTD <SISF A/C>	612,485	0.399
EDSGEAR PTY LIMITED	608,000	0.396
ELECNET (AUST) PTY LTD <ELECTRICAL IND SV SCHEME A/C>	514,569	0.335
AUST EXECUTOR TRUSTEES LTD <LANYON AUST VALUE FUND>	415,320	0.270
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	388,560	0.253
Total Units held by top 20 Unitholders	**78,151,763**	**50.865**
Total Units on issue	**153,654,052**	**100.000**

b) Distribution of unitholders:

Number of units held by unitholders	Number of holders	Units held	% of issued units
1 to 1,000	312	132,335	0.086
1,001 to 5,000	1,472	5,181,574	3.372
5,001 to 10,000	1,555	11,805,239	7.683
10,001 to 100,000	2,067	47,850,190	31.142
100,001 and over	80	88,684,714	57.717
Total	**5,486**	**153,654,052**	**100.000**

The total number of unitholders with less than a marketable parcel was 95 and they hold 1,498 units.

c) Substantial unitholder notices:

Name of Unitholder	Date of Notice	Units held	% of issued units
360 Capital Investment Management Limited	22/05/2015	26,504,714	17.62

GLOSSARY

Term	Definition
$ or A$ or cents	Australian currency
360 Capital Investment Trust	The managed investment trust (ARSN 104 872 844) that represents part of the stapled entity, 360 Capital Group
360 Capital Group Limited	The company (ACN 113 569 136) that represents part of the stapled entity, 360 Capital Group
360 Capital, 360 Capital Group	360 Capital Group, the stapled entity comprising 360 Capital Investment Trust and 360 Capital Group Limited
AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
ANI	Australian Industrial REIT
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the market operated by it as the context requires
ASX Guidelines	The ASX Principles of Good Corporate Governance and Best Practice Guidelines
Board	Board of Directors of the Company/Group
CGT	Capital gains tax
Constitution	The constitution of the Fund, as amended
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer price index
Cpu	Cents per Unit
Director/s	A director of the Group
Distribution yield	Rate of return derived by dividing distribution per Unit by the price
DRP	Distribution Reinvestment Plan
Earnings yield	Rate of return derived by dividing earnings per Unit by the price
FOS	Financial Ombudsman Service
Fund Investment Committee	The committee established to oversee the Fund's investments, key recruitment and policies
FY	Financial year (1 July to 30 June)
Gross Passing Income	The actual income being paid for a property by existing tenants
Gross Proceeds	The aggregate of all moneys (including all rent, licence fees, outgoings and all other amounts) received from tenants and other occupants and users of the real property assets (held directly or indirectly) of the Fund
Group	360 Capital Group, the stapled entity comprising 360 Capital Investment Trust and 360 Capital Group Limited
GST	Goods and services tax (Australia)
HY	Half Year (half year from 1 July to 31 December or 1 January to 30 June)
ICR	Interest Cover Ratio meaning net rent received divided by interest expense incurred on the facility
IFRS	International Financial Reporting Standards
Lender(s)	NAB and Bankwest
LVR	Loan to value ratio meaning interest bearing liabilities divided by total property values
NLA	Net lettable area
NPI	Net property income
NTA	Net tangible assets as per the balance sheet
NTA per Unit	Net tangible assets divided by the number of Units on issue
Offer	The formal, off market, takeover offer for all the units in the Australian Industrial REIT (ASX code: ANI)
Operating earnings	Operating earnings is statutory net profit adjusted for non-cash and significant items
p.a.	Per annum
Property/ies	A property or properties owned or to be owned by the Group
Responsible Entity	360 Capital Investment Management Limited (ACN 133 363 185, AFSL 340 304)
Sqm	Square metres
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
YTD	Year to date

CORPORATE DIRECTORY

Responsible Entity
360 Capital Investment Management Limited
ACN 133 363 185
AFSL 340 304
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone (02) 8405 8860 Email: investor.relations@360capital.com.au

Directors & Officers
Non-Executive Directors
David van Aanholt (Chairman)
William John Ballhausen
Graham Ephraim Lenzner
Andrew Graeme Moffat

Executive Director
Tony Robert Pitt (Managing Director)

Officers
Ben James - Chief Investment Officer
Glenn Butterworth - Chief Financial Officer
Alan Sutton – Company Secretary
Charisse Nortje - Company Secretary
Ben Butler – Fund manager

Custodian
360 Capital Investment Management Limited
ACN 133 363 185
AFSL 340 304
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone 02 8405 8860 Email: investor.relations@360capital.com.au

Unit Registry
Boardroom Pty Limited
ACN 003 209 836
Grosvenor Place, Level 12, 255 George Street Sydney NSW 2000
Telephone 1800 182 257 Email: enquiries@boardroomlimited.com.au

Bankers
National Australia Bank
Level 28, 500 Bourke Street Melbourne VIC 3000

Bankwest
Bankwest Place, 300 Murray Street
Perth WA 6000

Auditor
Ernst & Young
680 George Street Sydney NSW 2000

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