

360 Capital Group



For the half year ended 31 December 2015

Comprising the stapling of ordinary shares in 360 Capital Group Limited (ACN 113 569 136) and units in 360 Capital Investment Trust (ARSN 104 552 598)

This preliminary financial report is given to the ASX in accordance with Listing Rule 4.2.A. This report should be read in conjunction with the Financial Report for the half year ended 31 December 2015. It is also recommended that the Financial Report be considered together with any public announcements made by the Group. Reference should also be made to the statement of significant accounting policies as outlined in the 30 June 2015 financial report. The Interim Financial Report for the period ended 31 December 2015 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2015 – 31 December 2015

Prior corresponding period: 1 July 2014 – 31 December 2014

Results for announcement to the market:

| | 31 Dec 2015 \$'000 | 31 Dec 2014 \$'000 | Movement \$'000 | Movement % |
|---|-----------------------|-----------------------|--------------------|---------------|
| Revenue and other income from ordinary activities | 28,375 | 39,696 | (11,321) | (28.5) |
| Profit from ordinary activities after tax attributable to stapled securityholders | 7,703 | 21,933 | (14,230) | (64.9) |
| Operating profit ¹ | 7,605 | 6,973 | 632 | 9.1 |

¹ 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 and significant items. The Directors consider operating profit to reflect the core earnings of the Group. Operating profit is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Group's statutory profit to operating earnings is provided in Note 6 of the Interim Financial Report.

| | 31 Dec 2015 Cents per unit | 31 Dec 2014 Cents per unit | Movement Cents per unit | Movement % |
|---|-------------------------------|-------------------------------|----------------------------|---------------|
| Basic earnings per stapled security | 3.4 | 9.7 | (6.3) | (64.9) |
| Diluted earnings per stapled security | 3.1 | 8.8 | (5.7) | (64.8) |
| Operating earnings per stapled security | 3.3 | 3.1 | 0.2 | 6.5 |

360 Capital Group

**For the half year ended 31 December 2015**

Comprising the stapling of ordinary shares in 360 Capital Group Limited (ACN 113 569 136) and units in 360 Capital Investment Trust (ARSN 104 552 598)

Distributions:

| | Cents per unit | Total amount paid \$'000 | Date of payment |
|---|----------------|-----------------------------|-----------------|
| September 2015 quarter distribution | 1.5625 | 3,867 | 26 October 2015 |
| December 2015 quarter distribution | 1.5625 | 3,867 | 28 January 2016 |
| Total distribution for the period ended 31 December 2015 | 3.125 | 7,734 | |
| September 2014 quarter distribution | 1.3125 | 3,264 | 24 October 2014 |
| December 2014 quarter distribution | 1.4790 | 3,679 | 27 January 2015 |
| Total distribution for the period ended 31 December 2014 | 2.7915 | 6,943 | |

Net tangible assets per security:

| | 31 Dec 2015 \$ | 31 Dec 2014 \$ |
|---|-------------------|-------------------|
| Net tangible assets (NTA) per security ² | 0.65 | 0.70 |

² The number of securities on issue at 31 December 2015 is 247.5 million (June 2014: 248.7 million). For calculation of NTA per security, the number of securities is reduced to 226.7 million (June 2014: 226.7 million). The difference represents securities issued under the 360 Capital Group Employee Security Plan (ESP), which under AASB2: Share-based payments, are not recognised for accounting purposes or included when calculating NTA per security. The corresponding ESP loan receivable is also not recognised.

Interim Financial Report FOR THE HALF YEAR ENDED 31 DECEMBER 2015



360 CAPITAL GROUP

Interim Financial Report For the half year ended 31 December 2015

360 Capital Group comprises 360 Capital Group Limited ABN 18 113 569 136 and its controlled entities and 360 Capital Investment Trust ARSN 104 552 598 and its controlled entities.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

360 Capital Group

Directors' report

For the half year ended 31 December 2015

The Directors of 360 Capital Group Limited ("Company") present their report, together with the interim financial report of 360 Capital Group ("Group") for the half year ended 31 December 2015. 360 Capital Group comprises 360 Capital Group Limited ("Parent Entity") and its controlled entities and 360 Capital Investment Trust and its controlled entities.

Directors

The following persons were Directors of 360 Capital Group Limited during the half year and up to the date of this report, unless otherwise stated:

David van Aanholt (Chairman)

Tony Robert Pitt

William John Ballhausen

Graham Ephraim Lenzner

Andrew Graeme Moffat

Principal activities

The Group is a diversified real estate investment and funds management business. The principal activities were focused on the following core business segments representing:

- Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
- Co-investment in managed funds - aligning interests of the Group with underlying fund investors and providing income through distributions and capital growth in equity values
- Direct asset investment - delivering rental cash flows, until the divestment of the Group's last remaining direct property asset in September 2015

Following the settlement of the Group's last remaining direct property asset during the period, the Group is now a pure fund manager with co-investments in the funds it manages.

There were no other significant changes in the nature of activities of 360 Capital Group during the period.

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of 360 Capital Group for the half year ended 31 December 2015 was \$7.7 million (December 2014: \$21.9 million). The operating profit (profit before specific non-cash items and significant items) was \$7.6 million (December 2014: \$7.0 million).

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

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of 360 Capital Group and operating profit. The operating profit information in the table has not been subject to any specific audit procedures by the Group's auditor but has been extracted from Note 6 of the accompanying financial statements for the half year ended 31 December 2015, which have been subject to review; refer to page 35 for the auditor's review report on the financial statements.

360 Capital Group
Directors' report
For the half year ended 31 December 2015

Operating and financial review (continued)

| | Total core 31 December 2015 \$'000 | Total core 31 December 2014 \$'000 |
|--|---|---|
| Profit after tax attributable to stapled securityholders of 360 Capital Group | 7,703 | 21,933 |
| <u>Specific non-cash items</u> | | |
| Net gain on fair value of financial assets | (1,745) | (8,354) |
| Net gain on fair value of investment properties | - | (8,250) |
| Net loss/(gain) on fair value of derivative financial instruments | 173 | (10) |
| Security based payment expense | 345 | 346 |
| Reversal of impairment of equity accounted investment | (110) | - |
| Straight-lining of lease revenue and incentives amortisation | - | 365 |
| <u>Significant items</u> | | |
| Gain on bargain purchase | - | (287) |
| Net loss on sale of investment properties | 279 | - |
| Other items | 195 | 46 |
| Rent receivable adjustment | 1,260 | - |
| Net gain on sale of financial assets | (750) | - |
| <u>Tax effect</u> | | |
| Tax effect of non-cash and significant items | 255 | 1,184 |
| Operating profit (profit before specific non-cash and significant items) | 7,605 | 6,973 |

The key financial highlights for the half year ended 31 December 2015 include:

- Statutory net profit attributable to stapled securityholders of \$7.7 million (December 2014: \$21.9 million)
- Statutory basic earnings per security (EPS)¹ of 3.4 cps (December 2014: 9.7 cps)
- Operating profit of \$7.6 million (December 2014: \$7.0 million)
- Operating diluted EPS¹ of 3.3 cps (December 2014: 3.1 cps)
- Operating earnings including "Active Earnings" (capital deployed into repositioning and trading opportunities) of \$8.1 million equating to 3.5 cps (December 2014: 17.1 cps)
- Distributions of 3.125 cps (December 2014: 2.7915 cps)
- Net assets increased to \$229.3 million from \$227.5 million as at 30 June 2015
- Security trading price of \$0.96 per security (June 2015: \$1.07)
- Group's market capitalisation of \$237.6 million as at 31 December 2015 (June 2015: \$266.1 million)

¹ Operating diluted EPS represents operating profit including interest earned on the Group's Employee Security Plan (ESP) securities (not recognised for accounting purposes) divided by total securities on issue, including ESP securities.

360 Capital Group

Directors' report

For the half year ended 31 December 2015

Operating and financial review (continued)

The key operating achievements for the half year ended 31 December 2015 include:

- Completed disposal of Group's direct property asset for \$47.0 million completing transition to pure fund manager and co-investor
- Redeployed \$15.5 million of capital into 360 Capital Industrial Fund (TIX) increasing its total co-investment platform to \$212.5 million
- Appointed responsible entity and compulsorily acquired the \$330 million Australian Industrial REIT (ANI), increasing total funds under management to \$1.43 billion
- Efficiencies provided through reduced staffing/operating costs to reflect completion of business transition
- Simplified business structure with two revenue streams – funds management fees and co-investment income
- Continued to optimise both capital and income returns from underlying portfolio driving investor and Group returns

Financial results

Statutory results

The Group's statutory net profit attributable to securityholders for the half year ended 31 December 2015 was \$7.7 million, equating to 3.4 cps, reflecting a 64.9% decrease from \$21.9 million for prior period. The reduction in statutory net profit was primarily due to significant fair value gains from financial assets and revaluations of investment properties that occurred during the prior period.

The Group's statutory balance sheet as at 31 December 2015 had gross assets of \$447.6 million reflecting a reduction of \$15.6 million from 30 June 2015. Current assets totalled \$24.7 million decreasing from 68.1 million at 30 June 2015 reflecting the disposal of the Group's Hurstville investment property during the year. The Group's financial assets fair valued through the profit and loss increased by \$22.2 million to \$139.6 million which included an additional investment of \$15.5 million in TIX.

Total borrowings at 31 December 2015 reduced to \$202.5 million as a result of the repayment of the Group's \$11.0 million bank debt in September 2015.

Operating results

The operating profit for the half year ended 31 December 2015 was \$7.6 million, and operating diluted EPS equating to 3.3cps, a 9.1% increase from \$7.0 million in the prior period. The result reflects the growth in co-investment revenue driven by additional investment in managed funds and an increase in funds management income following and increase in funds under management (FUM) resulting from the takeover of ANI. Contributions from direct asset investment segment ceased during the period following the sale of the Group's Hurstville property in September 2015.

Operating expenses were \$3.7 million for the half year to 31 December 2015, broadly in line with the prior period. Net interest expense, including interest on the \$75 million corporate bond issue, was \$2.9 million, an increase on the prior period reflecting a full six months' of interest on the bonds. Continuing to reduce costs is a key focus of Group now that the business model has been simplified.

The contribution from operating earnings (including Active Earnings) reduced significantly during the period to contribute \$8.1 million¹ or 3.5 cps, to the overall Group returns, a decrease of 52.6% on the prior period of \$17.1 million².

The Group's total segment assets declined by \$17.9 million to \$246.5 million primarily driven by the sale of the Hurstville investment property for \$47.0 million off-set by additional investments of \$19.5 million in managed funds.

¹ Operating earnings including active earnings of \$8.1 million for the half year ended 31 December 2015 represents operating earnings plus the net gain on conversion of ANI units under TIX Offer \$0.8 million, less employee security based payments and tax of \$0.2 million.

² Operating earnings including active earnings of \$17.1 million for the half year ended 31 December 2014 represents operating earnings plus value uplift on Hurstville investment property (excluding deferred rent receivable) of \$4.8 million, value uplift on Diversified Fund (recorded in equity) of \$5.5 million, bargain gain on Subiaco acquisition \$0.3 million less employee security based payments and tax of \$0.5 million

Operating and financial review (continued)

Funds Management

Funds under management increased from \$1.20 billion as at 30 June 2015 to \$1.43 billion as at 31 December 2015, mainly as a result of the Group's appointment as the responsible entity of ANI in October 2015, offset in part by a non-core asset disposal within 360 Capital Office Fund (TOF).

Overall revenue from the funds management business was \$4.8 million for the half year to 31 December 2015, up 59.2% on the prior period.

Listed Funds

360 Capital's listed platform FUM grew by 25.2% over the past 6 months to \$1.13 billion driven by TIX's compulsory acquisition of ANI in December 2015, increasing TIX's total assets to \$882.8 million.

The Group paid \$8.9 million to ANI investors as part of the cash component of the takeover, which along with the \$5.0 million previously recognised as part of the existing funds management platform, has been classified as an intangible asset on the Group's balance sheet.

Reflecting its stated intention of disposing of non-core assets to increase earnings quality, TOF sold 33 Allara Street in Canberra reducing its total assets by 13.1% to \$200.2 million.

The 360 Capital Total Return Fund (TOT) continued to deploy its cash balance during the period without increasing its overall asset base.

The Group remains focused on growing its listed funds in a responsible manner. However, it is prepared to stand still in market conditions that are not conducive to earnings accretive FUM growth.

Recurring listed funds management revenue over the half year to 31 December 2015 was \$3.4 million up 55.0% on the prior period.

Unlisted Funds

360 Capital's unlisted platform has been rationalised and now comprises \$301.7 million of assets in line with previous FUM as at 30 June 2015. Over the second half of the financial year, the Group proposes to either sell or close down its property securities business due to its inability to reach an efficient scale.

The Group is focused on continuing to sell down its underwriting units in the 360 Capital Retail Fund No. 1 (Retail Fund). The Group has sold down approximately 30% to date with \$31.1 million remaining to be sold.

The responsible entity is currently preparing trust extension documentation for two of its unlisted funds and will recommend to unitholders of the respective funds to extend the term for each. It will continue to manage the unlisted funds in the normal course of business.

Recurring management fee revenue from unlisted funds for the half year to 31 December 2015 was \$0.9 million, in line with the prior period.

Operating and financial review (continued)

Co-investments in managed funds

Over the half year to 31 December 2015, the Group increased its co-investment capital to \$212.5 million, up 9.5% on 30 June 2015. This increase in co-investment was predominantly in TIX, maintaining a 15.6% ownership post the compulsory acquisition of ANI.

In line with the Group's strategy of reducing its co-investment exposure to unlisted funds, the Group increased its total co-investment in listed to \$135.4 million across TIX, TOF and TOT. Unlisted co-investment reduced from \$81.1 million to \$77.1 million and is expected to fall a further \$30.4 million with the proposed sale of the Group's stake in 360 Capital 111 St Georges Terrace Property Trust and the further sell down of the balance of the Retail Fund of \$31.1 million.

The Group received total distributions of \$8.7 million for the half year to December 2015, up 13.0% on the prior period.

Direct property asset

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

Post the settlement of the property, the Group utilised sale proceeds to repay all of its associated bank debt of \$11.0 million, increase its co-investment in TIX by \$15.5 million and paid \$8.9 million in cash to ANI investors as part of the ANI takeover, with the balance used as general working capital or retained as cash. The sale of the property completed the transition of the Group to a pure fund manager and co-investor.

Summary and Outlook

The Group will continue to maintain its "capital light" strategy, opting to grow earnings and distributions per security in excess of its peers from a tight capital base. This may include capital management initiatives to enhance returns to Securityholders.

The Group now has high quality, sustainable and very visible earnings from its funds management division (through recurring management fees and other associated fees) and through its co-investments (from its income distributions) following the maturation of its business model.

The Group's success in growing its listed funds has seen it recently receive approaches from third parties with various proposals including mandates, private equity capital and overseas investors seeking local management skills. To date, the Group has elected to focus on local capital sources to grow its business, however given the number of these overseas enquiries, the Group is now discussing opportunities with these parties as a way of continuing funds management revenue growth.

360 Capital Group

Directors' report

For the half year ended 31 December 2015

Dividends and distributions

The Company did not declare any dividends during the half year or up to the date of this report (31 December 2014: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

| | 31 December 2015 \$'000 | 31 December 2014 \$'000 |
|---|-------------------------------|-------------------------------|
| 1.3125 cents per unit paid on 24 October 2014 | - | 3,264 |
| 1.4790 cents per unit paid on 27 January 2015 | - | 3,679 |
| 1.5625 cents per unit paid on 26 October 2015 | 3,867 | - |
| 1.5625 cents per unit paid on 28 January 2016 | 3,867 | - |
| | 7,734 | 6,943 |

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of 360 Capital Group that occurred during the half year under review other than those listed above or elsewhere in the Directors' report.

Likely developments and expected results of operations

The Group has transitioned to a pure funds management and co-investor group. The Group remains focused on maximising portfolio value within the managed funds to maximize investor returns and continues to recycle capital into higher return activities to drive Group earnings.

Events subsequent to balance date

Post the reporting period, the Group received an offer (subject to various approvals) from TOF for the acquisition of the Group's 44.4% holding in the 360 Capital 111 St George's Terrace Property Trust for \$30.4 million.

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

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the Directors' report for the half year ended 31 December 2015.

Rounding of amounts

360 Capital Group is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Class Order, amounts in the interim financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

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



Tony Robert Pitt
Director



Graham Ephraim Lenzner
Director

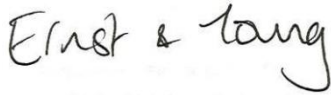
Sydney
24 February 2016

Auditor's Independence Declaration to the Directors of 360 Capital Group Limited

As lead auditor for the review of 360 Capital Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of 360 Capital Group Limited and the entities it controlled during the financial period.



Ernst & Young



Mark Conroy
Partner
24 February 2016

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2015

| | | 31 December 2015 \$'000 | 31 December 2014 \$'000 |
|--|------|-------------------------------|-------------------------------|
| | Note | | |
| Revenue from continuing operations | | | |
| Rental from investment properties | | 14,838 | 12,882 |
| Funds management fees | | 3,902 | 2,389 |
| Distributions from property funds | | 5,513 | 4,728 |
| Finance revenue | | 197 | 370 |
| Total revenue from continuing operations | | 24,450 | 20,369 |
| Other income | | | |
| Gain on bargain purchase | | - | 287 |
| Net gain on fair value of financial assets | | 3,062 | 9,965 |
| Net gain on disposal of financial assets | 7 | 750 | - |
| Reversal of impairment of equity accounted investment | | 110 | - |
| Net gain on fair value of investment properties | 9 | - | 9,073 |
| Other income | | 3 | 2 |
| Total other income | | 3,925 | 19,327 |
| Total revenue from continuing operations and other income | | 28,375 | 39,696 |
| Investment property expenses | | 5,288 | 3,520 |
| Employee benefit expenses | | 3,224 | 3,100 |
| Administration expenses | | 1,023 | 1,109 |
| Depreciation expenses | | 5 | 9 |
| Finance expenses | 3 | 6,087 | 4,203 |
| Net loss on fair value of investment properties | | 2,955 | - |
| Net loss on fair value of derivative financial instruments | | 82 | 671 |
| Net loss on sale of investment properties | | 279 | 4 |
| Profit from continuing operations before income tax | | 9,432 | 27,080 |
| Income tax expense | 5 | 700 | 1,220 |
| Profit for the half year | | 8,732 | 25,860 |

360 Capital Group**Consolidated interim statement of profit or loss and other comprehensive income****For the half year ended 31 December 2015**

| | | 31 December | 31 December |
|---|-------------|--------------------|--------------------|
| | | 2015 | 2014 |
| | Note | \$'000 | \$'000 |
| Profit for the half year | | 8,732 | 25,860 |
| Other comprehensive income for the half year | | - | - |
| Total comprehensive income for the half year | | 8,732 | 25,860 |
| Total comprehensive income attributable to: | | | |
| Shareholders of 360 Capital Group Limited | | 714 | (1,336) |
| Unitholders of 360 Capital Investment Trust | | 6,989 | 23,269 |
| Profit after tax attributable to the stapled securityholders | | 7,703 | 21,933 |
| External non-controlling interests | | 1,029 | 3,927 |
| Profit for the half year | | 8,732 | 25,860 |
| | | | |
| Earnings per stapled security for profit after tax | | | |
| attributable to the stapled securityholders of 360 Capital Group | | | |
| Basic earnings per security | 4 | 3.4 | 9.7 |
| Diluted earnings per security | 4 | 3.1 | 8.8 |

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

360 Capital Group
Consolidated interim statement of financial position
As at 31 December 2015

| | | 31 December | 30 June |
|---|-------------|--------------------|----------------|
| | | 2015 | 2015 |
| | Note | \$'000 | \$'000 |
| Current assets | | | |
| Cash and cash equivalents | | 18,308 | 14,967 |
| Receivables | | 5,368 | 5,242 |
| Financial assets at fair value through profit or loss | 7 | 44 | - |
| Other current assets | | 1,001 | 897 |
| Assets held for sale | 8 | - | 47,000 |
| Total current assets | | 24,721 | 68,106 |
| Non-current assets | | | |
| Receivables | | 253 | 297 |
| Financial assets at fair value through profit or loss | 7 | 139,642 | 117,421 |
| Investment properties | 9 | 268,650 | 271,800 |
| Property, plant and equipment | | 64 | 69 |
| Deferred tax assets | | 342 | 486 |
| Intangible assets | 14 | 13,879 | 5,000 |
| Total non-current assets | | 422,830 | 395,073 |
| Total assets | | 447,551 | 463,179 |
| Current liabilities | | | |
| Trade and other payables | | 6,596 | 6,896 |
| Borrowings | 10 | 10,525 | 21,525 |
| Derivative financial instruments | | 27 | - |
| Distribution payable | | 3,867 | 3,680 |
| Provisions | | 2,007 | 1,569 |
| Other current liabilities | | 1,954 | 9,093 |
| Total current liabilities | | 24,976 | 42,763 |
| Non-current liabilities | | | |
| Borrowings | 10 | 191,952 | 191,401 |
| Derivative financial instrument | | 1,229 | 1,347 |
| Deferred tax liabilities | | 114 | 127 |
| Total non-current liabilities | | 193,295 | 192,875 |
| Total liabilities | | 218,271 | 235,638 |
| Net assets | | 229,280 | 227,541 |

360 Capital Group
Consolidated interim statement of financial position
As at 31 December 2015

| | | 31 December | 30 June |
|---|-------------|--------------------|----------------|
| | | 2015 | 2015 |
| | Note | \$'000 | \$'000 |
| Equity | | | |
| Issued capital - ordinary shares | 11 | 7,386 | 7,386 |
| Issued capital - trust units | 11 | 167,815 | 167,815 |
| Security based payments reserve | | 4,228 | 3,233 |
| Accumulated losses | | (18,087) | (18,266) |
| Total equity attributable to stapled Securityholders | | 161,342 | 160,168 |
| External non-controlling interest | | 67,938 | 67,373 |
| Total equity | | 229,280 | 227,541 |

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

360 Capital Group

Consolidated interim statement of changes in equity

For the half year ended 31 December 2015

| | Issued capital - ordinary shares \$'000 | Issued capital - trust units \$'000 | Security based payments reserve \$'000 | Accumulated losses \$'000 | Total equity attributable to stapled Securityholders \$'000 | External non- controlling interest \$'000 | Total equity \$'000 |
|---|---|---|---|---------------------------------|---|--|------------------------|
| Balance at 1 July 2015 | 7,386 | 167,815 | 3,233 | (18,266) | 160,168 | 67,373 | 227,541 |
| Total comprehensive income for the year | - | - | - | 7,703 | 7,703 | 1,029 | 8,732 |
| Recognition of external non-controlling interest | - | - | - | 210 | 210 | 2,488 | 2,698 |
| Transactions with Securityholders in their capacity as Securityholders | | | | | | | |
| Security based payment transactions | - | - | 345 | - | 345 | - | 345 |
| Dividends/distributions | - | - | 649 | (7,734) | (7,085) | (2,951) | (10,036) |
| | - | - | 994 | (7,734) | (6,740) | (2,951) | (9,691) |
| Balance at 31 December 15 | 7,386 | 167,815 | 4,227 | (18,087) | 161,341 | 67,939 | 229,280 |
| Balance at 1 July 2014 | 7,386 | 167,815 | 1,604 | (34,184) | 142,621 | 74,232 | 216,853 |
| Total comprehensive income for the year | - | - | - | 21,933 | 21,933 | 3,927 | 25,860 |
| Acquisition of external non-controlling interest | - | - | - | 5,478 | 5,478 | (26,678) | (21,200) |
| Recognition of external non-controlling interest | - | - | - | - | - | 9,316 | 9,316 |
| Transactions with Securityholders in their capacity as Securityholders | | | | | | | |
| Issued shares/units - Employees Securities plan | - | - | 346 | - | 346 | - | 346 |
| Issued shares/units - Redeemed | - | - | - | - | - | (6) | (6) |
| Dividends/distributions | - | - | 613 | (6,943) | (6,330) | (2,604) | (8,934) |
| | - | - | 959 | (6,943) | (5,984) | (2,610) | (8,594) |
| Balance at 31 December 14 | 7,386 | 167,815 | 2,563 | (13,716) | 164,048 | 58,187 | 222,235 |

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

360 Capital Group
Consolidated interim statement of cash flows
For the half year ended 31 December 2015

| | 31 December 2015 \$'000 | 31 December 2014 \$'000 |
|--|-------------------------------|-------------------------------|
| Note | | |
| Cash flows from operating activities | | |
| Cash receipts from customers (inclusive of GST) | 20,429 | 17,915 |
| Cash payments to suppliers and employees (inclusive of GST) | (9,662) | (8,830) |
| Distributions received | 5,466 | 3,529 |
| Finance revenue | 196 | 369 |
| Finance expenses | (5,702) | (2,660) |
| Income tax paid | (95) | - |
| Net cash inflows from operating activities | 10,632 | 10,323 |
| Cash flows from investing activities | | |
| Payments for investment properties | (170) | (855) |
| Proceeds from disposal of investment properties | 38,901 | 8,901 |
| Payments for property, plant and equipment | - | (8) |
| Payments for financial assets | (19,524) | (37,424) |
| Proceeds from disposal of financial assets | 1,181 | 1,669 |
| Payments for intangible assets | (8,879) | - |
| Payments for subsidiaries - net of cash acquired | 13 | (1,750) |
| Payments for external non-controlling interest | - | (21,200) |
| Net cash inflows/(outflows) from investing activities | 11,509 | (50,667) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | 76,018 |
| Repayment of borrowings | (11,000) | (25,000) |
| Payments for borrowing costs | - | (2,201) |
| Distributions paid to stapled securityholders | (7,547) | (5,810) |
| Distributions paid to external non-controlling interests | (2,951) | (2,932) |
| Proceeds from issue of capital to non-controlling interest | 2,698 | - |
| Redemption of units from external non-controlling interests | - | (6) |
| Net cash (outflows)/inflows from financing activities | (18,800) | 40,069 |
| Net increase/(decrease) in cash and cash equivalents | 3,341 | (275) |
| Cash and cash equivalents at the beginning of the half year | 14,967 | 16,881 |
| Cash and cash equivalents at the end of the half year | 18,308 | 16,606 |

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

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Note 1: Statement of significant accounting policies

a) Reporting entity

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report of 360 Capital Group comprises the consolidated financial statements of 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities. A 360 Capital Group stapled security comprises one 360 Capital Group Limited share stapled to one 360 Capital Investment Trust unit to create a single listed entity traded on the Australian Stock Exchange (ASX). The stapled security cannot be traded or dealt with separately.

The interim financial report does not include all of the notes and information required for a full annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the 360 Capital Group for the year ended 30 June 2015 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia or at www.360capital.com.au.

Where accounting policies have changed, comparative financial information of the Group has been revised. The accounting policies adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

For the period commencing 1 July 2015, the Group has not adopted any new accounting standards or amendments.

b) Basis of consolidation

Stapling

On 2 October 2013, each ordinary share in 360 Capital Group Limited was stapled to a unit in the 360 Capital Investment Trust and together they form the Stapled Entity known as 360 Capital Group. Equity holders of the Group are entitled to an equal interest in each stapled entity.

In accordance with the principles contained in AASB 3 *Business Combinations*, the Group has determined that the Company is the parent entity in the stapling arrangement.

For statutory reporting purposes, the Group reflects the consolidated entity being the Company (the acquirer) and its controlled entities. On the basis that the Company does not hold any interest in the Trust, the net assets, profit or loss and other comprehensive income of the Trust are considered non-controlling interests and are therefore disclosed separately.

The Constitutions of the Trust and the Company ensure that, for so long as these entities remain jointly listed, the number of units in the Trust and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interest of 360 Capital Group.

The stapling arrangement will cease upon the earlier of the winding up of any of the stapled entities, or any of the entities terminating the stapling arrangement.

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Note 2: Distributions and dividends

The Company did not declare any dividends during the half year or up to the date of this report (December 2014: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

| | 31 December 2015 \$'000 | 31 December 2014 \$'000 |
|---|--|--|
| 1.3125 cents per unit paid on 24 October 2014 | - | 3,264 |
| 1.4790 cents per unit paid on 27 January 2015 | - | 3,679 |
| 1.5625 cents per unit paid on 26 October 2015 | 3,867 | - |
| 1.5625 cents per unit paid on 28 January 2016 | 3,867 | - |
| | 7,734 | 6,943 |

Note 3: Finance expenses

| | 31 December 2015 \$'000 | 31 December 2014 \$'000 |
|---|--|--|
| Interest and finance charges paid and payable | 5,709 | 3,838 |
| Borrowing cost amortisation | 378 | 365 |
| | 6,087 | 4,203 |

Note 4: Earnings per stapled security

| | 31 December 2015 ¢ | 31 December 2014 ¢ |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Basic earnings per stapled security | 3.4 | 9.7 |
| Diluted earnings per stapled security | 3.1 | 8.8 |

| | \$'000 | \$'000 |
|---|---------------|---------------|
| Basic and diluted earnings | | |
| Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security | 7,703 | 21,933 |

| | 000's | 000's |
|--|--------------|--------------|
| Weighted average number of stapled securities used as a denominator | | |
| Weighted average number of stapled securities - basic | 226,733 | 226,733 |
| Weighted average number of stapled securities - diluted | 248,018 | 248,703 |

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Note 4: Earnings per stapled security (continued)

Dilution

During the year ended 30 June 2014, 21,970,000 securities were granted to employees under the Group's Employee Security Plan (ESP). On 18 September 2015 the Group bought back and cancelled 1,200,000 of these securities. These ESP securities are not included in the calculation of the basic number of stapled securities on issue.

Further information on the ESP is provided in Note 11.

Note 5: Income tax expense

The Group calculates income tax expense using the tax rate applicable to the expected total annual earnings. The major components of income tax expense during the half year are:

| | 31 December 2015 \$'000 | 31 December 2014 \$'000 |
|---|--|--|
| Profit before tax attributable to stapled securityholders | 8,403 | 23,153 |
| Income tax expense at the corporate rate of 30% | 2,521 | 6,946 |
| <u>Increase/(decrease) in income tax expense due to:</u> | | |
| Trust income exempt from income tax | (2,097) | (6,981) |
| Exit fee income realised from controlled entities taxable | - | 1,017 |
| Reversal in impairment of equity accounted investment tax exempt | (33) | - |
| Employee Security Plan interest income taxable | 195 | 184 |
| Security based payments expense non tax deductible | 104 | 104 |
| Other tax adjustments | 10 | (50) |
| Income tax expense recognised in the statement of profit or loss | 700 | 1,220 |

The Group has carried forward capital tax losses of \$10.6 million associated with 360 Capital Group Limited (June 2015: \$10.6 million) that have not been recognised as deferred tax assets as it is not probable that the corporate entities in the Group will realise any capital gains through the sale of assets in the future.

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For the year ended 31 December 2015

Note 6: Segment reporting

Segment information is presented in respect of the Group'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 Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Core operations

The Group reports on the following core business segments;

- 1) Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
- 2) Co-investment - aligning interest of the Group with underlying fund investors and providing income through distributions and capital growth in equity values
- 3) Direct asset investment - delivering rental cash flows, until the divestment of the Group's last remaining direct property asset in September 2015

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

Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker within the Group.

The information provided is net of specific non-cash items including fair value adjustments, straight-lining of lease revenues and incentives, security based payments expense and impairment adjustments. Significant one off items are also excluded.

Corporate

Income and expenses for management of the Group on an overall basis are not allocated to three core operation segments. Property development assets, tax assets and other incidental assets and liabilities are not allocated to core operation segments as they are either non-core or for management of the Group on an overall group basis. All these items are included under corporate in the segment disclosures.

Consolidation and eliminations

Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from managed funds deemed to be controlled under AASB 10, being material non-controlling interests. The performance of these managed funds, which are operated as externally managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's business segments.

Geographical segments

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

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Condensed notes to the interim financial report
For the half year ended 31 December 2015

Note 6: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2015 are as follows:

| Half year ended 31 December 2015 | Co-investment funds \$'000 | Direct asset investment \$'000 | Funds management \$'000 | Corporate \$'000 | Total core \$'000 | Consolidation & eliminations \$'000 | Total \$'000 |
|--|----------------------------------|--------------------------------------|-------------------------------|---------------------|----------------------|---|-----------------|
| Management fee revenue | - | - | 4,769 | - | 4,769 | (719) | 4,050 |
| Net property income | - | 1,198 | - | - | 1,198 | 9,964 | 11,162 |
| Co-investment revenue | 8,665 | - | - | - | 8,665 | (3,152) | 5,513 |
| Total revenue and other income | 8,665 | 1,198 | 4,769 | - | 14,632 | 6,093 | 20,725 |
| Operating expenses | 47 | 20 | 2,739 | 849 | 3,655 | 202 | 3,857 |
| Earnings before interest and tax (EBIT) | 8,618 | 1,178 | 2,030 | (849) | 10,977 | 5,891 | 16,868 |
| Net interest expense | (33) | 200 | (114) | 2,874 | 2,927 | 2,963 | 5,890 |
| Operating profit before tax | 8,651 | 978 | 2,144 | (3,723) | 8,050 | 2,928 | 10,978 |
| Income tax expense | - | - | - | 445 | 445 | - | 445 |
| Operating profit (before specific non-cash and significant items) | 8,651 | 978 | 2,144 | (4,168) | 7,605 | 2,928 | 10,533 |
| Interest on Group ESP | | | | | 657 | | |
| Operating earnings used in calculating - diluted operating EPS | | | | | 8,262 | | |
| Weighted average number of securities - diluted ('000) | | | | | 248,018 | | |
| Operating profit per security (EPS) - cents - diluted | | | | | 3.3 | | |
| Number of securities for distribution per security (DPS) ('000) | | | | | 247,503 | | |
| DPS - cents | | | | | 3.125 | | |

360 Capital Group
Condensed notes to the interim financial report
For the half year ended 31 December 2015

Note 6: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2014 are as follows:

| Half year ended 31 December 2014 | Co-investment funds | Direct asset investment | Funds management | Corporate | Total core | Consolidation & eliminations | Total |
|--|------------------------|----------------------------|---------------------|----------------|---------------|---------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Management fee revenue | - | - | 2,996 | - | 2,996 | (607) | 2,389 |
| Net property income | - | 3,457 | - | - | 3,457 | 6,269 | 9,726 |
| Co-investment revenue | 5,792 | - | - | - | 5,792 | (1,064) | 4,728 |
| Finance revenue | 27 | - | - | - | 27 | (27) | - |
| Other income | - | - | - | 2 | 2 | - | 2 |
| Total revenue and other income | 5,819 | 3,457 | 2,996 | 2 | 12,274 | 4,571 | 16,845 |
| Operating expenses | 36 | 138 | 2,490 | 937 | 3,601 | 233 | 3,834 |
| Earnings before interest and tax (EBIT) | 5,783 | 3,319 | 506 | (935) | 8,673 | 4,338 | 13,011 |
| Net interest expense | (3) | 167 | (125) | 1,625 | 1,664 | 2,170 | 3,834 |
| Operating profit before tax | 5,786 | 3,152 | 631 | (2,560) | 7,009 | 2,168 | 9,177 |
| Income tax expense | - | - | - | 36 | 36 | - | 36 |
| Operating profit (before specific non-cash and significant items) | 5,786 | 3,152 | 631 | (2,596) | 6,973 | 2,168 | 9,141 |
| Interest on Group ESP | | | | | 613 | | |
| Operating earnings used in calculating - diluted operating EPS | | | | | 7,586 | | |
| Weighted average number of securities - diluted ('000) | | | | | 248,703 | | |
| Operating profit per security (EPS) - cents - diluted | | | | | 3.1 | | |
| Number of securities for distribution per security (DPS) ('000) | | | | | 248,703 | | |
| DPS - cents | | | | | 2.792 | | |

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Condensed notes to the interim financial report
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Note 6: Segment reporting (continued)

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

| | Total core 31 December 2015 \$'000 | Total core 31 December 2014 \$'000 | Total 31 December 2015 \$'000 | Total 31 December 2014 \$'000 |
|--|--|--|-------------------------------------|-------------------------------------|
| Profit after tax attributable to stapled securityholders | 7,703 | 21,933 | | |
| Profit for the half year | | | 8,732 | 25,860 |
| Specific non-cash items | | | | |
| Net (gain)/loss on fair value of investment properties | - | (8,250) | 2,955 | (9,073) |
| Net gain on fair value of financial assets | (1,745) | (8,354) | (3,062) | (9,965) |
| Net (gain)/loss on fair value of derivative financial instruments | 173 | (10) | 82 | 671 |
| Reversal of impairment of equity accounted investment | (110) | - | (110) | - |
| Security based payments expense | 345 | 346 | 345 | 346 |
| Straight-lining of lease revenue and incentives amortisation | - | 365 | 352 | 365 |
| Significant items | | | | |
| Gain on bargain purchase | - | (287) | - | (287) |
| Net loss on sale of investment properties | 279 | - | 279 | - |
| Other items | 195 | 46 | 195 | 40 |
| Net gain on sale of units | (750) | - | (750) | - |
| Rent receivable adjustment | 1,260 | - | 1,260 | - |
| Tax effect | | | | |
| Tax effect of specific non-cash and significant items | 255 | 1,184 | 255 | 1,184 |
| Operating profit (before specific non-cash and significant items) | 7,605 | 6,973 | 10,533 | 9,141 |

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Condensed notes to the interim financial report
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Note 6: Segment reporting (continued)

| | Co-investment funds \$'000 | Direct asset investment \$'000 | Funds management \$'000 | Corporate \$'000 | Total core \$'000 | Consolidation & eliminations \$'000 | Total \$'000 |
|---|----------------------------------|--------------------------------------|-------------------------------|---------------------|----------------------|---|-----------------|
| As at 31 December 2015 | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | 1,750 | - | 12,087 | 199 | 14,036 | 4,272 | 18,308 |
| Assets held for sale | - | - | - | - | - | - | - |
| Investment properties | - | - | - | - | - | 268,650 | 268,650 |
| Financial assets at fair value through the profit or loss | 212,475 | - | - | - | 212,475 | (72,789) | 139,686 |
| Other assets and intangibles | 2,976 | - | 16,584 | 509 | 20,069 | 838 | 20,907 |
| Total assets | 217,201 | - | 28,671 | 708 | 246,580 | 200,971 | 447,551 |
| Liabilities | | | | | | | |
| Borrowings | - | - | - | 75,160 | 75,160 | 127,317 | 202,477 |
| Other liabilities | 22 | - | 1,435 | 6,729 | 8,186 | 7,608 | 15,794 |
| Total liabilities | 22 | - | 1,435 | 81,889 | 83,346 | 134,925 | 218,271 |
| Net assets | 217,179 | - | 27,236 | (81,181) | 163,234 | 66,046 | 229,280 |

| | Co-investment funds \$'000 | Direct asset investment \$'000 | Funds management \$'000 | Corporate \$'000 | Total core \$'000 | Consolidation & eliminations \$'000 | Total \$'000 |
|---|----------------------------------|--------------------------------------|-------------------------------|---------------------|----------------------|---|-----------------|
| As at 30 June 2015 | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | 2,894 | - | 8,528 | 269 | 11,691 | 3,276 | 14,967 |
| Assets held for sale | - | 47,000 | - | - | 47,000 | - | 47,000 |
| Investment properties | - | - | - | - | - | 271,800 | 271,800 |
| Financial assets at fair value through the profit or loss | 194,156 | - | - | - | 194,156 | (76,735) | 117,421 |
| Other assets | 3,745 | 161 | 6,617 | 1,029 | 11,552 | 439 | 11,991 |
| Total assets | 200,795 | 47,161 | 15,145 | 1,298 | 264,399 | 198,780 | 463,179 |
| Liabilities | | | | | | | |
| Borrowings | - | - | - | 85,713 | 85,713 | 127,213 | 212,926 |
| Other liabilities | 139 | 8,145 | 1,120 | 7,025 | 16,429 | 6,283 | 22,712 |
| Total liabilities | 139 | 8,145 | 1,120 | 92,738 | 102,142 | 133,496 | 235,638 |
| Net assets | 200,656 | 39,016 | 14,025 | (91,440) | 162,257 | 65,284 | 227,541 |

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Note 7: Financial assets at fair value through the profit or loss

| | 31 December | 30 June |
|---|--------------------|----------------|
| | 2015 | 2015 |
| | \$'000 | \$'000 |
| Current | | |
| Units in unlisted funds managed by Group subsidiaries | 44 | - |
| | 44 | - |
| Non-current | | |
| Units in listed funds managed by Group subsidiaries | 135,411 | 113,018 |
| Units in unlisted funds managed by Group subsidiaries | 4,231 | 4,038 |
| Units in unlisted funds managed externally | - | 365 |
| | 139,642 | 117,421 |
| Total | 139,686 | 117,421 |

The Group holds investments in the following managed investment schemes:

| | 31 December | 30 June | 31 December | 30 June |
|---|--------------------|----------------|--------------------|----------------|
| | 2015 | 2015 | 2015 | 2015 |
| | % | % | \$'000 | \$'000 |
| Current | | | | |
| Centuria Office Fund No.2 | 1.2% | - | 44 | - |
| | | | 44 | - |
| Non-current | | | | |
| 360 Capital Industrial Fund (ASX: TIX) | 15.6% | 17.4% | 83,535 | 63,876 |
| 360 Capital Office Fund (ASX: TOF) | 28.8% | 28.8% | 43,197 | 44,461 |
| 360 Capital Total Return Fund (ASX: TOT) | 19.6% | 10.1% | 8,679 | 4,680 |
| 360 Capital Havelock House Property Trust | 27.8% | 26.9% | 3,651 | 3,486 |
| Centuria Diversified Direct Property Fund | - | 19.3% | - | 360 |
| Centuria Office Fund No.2 | - | 1.2% | - | 5 |
| Other | - | - | 580 | 553 |
| | | | 139,642 | 117,421 |
| Total | | | 139,686 | 117,421 |

The 360 Capital Industrial Fund, 360 Capital Office Fund and 360 Capital Total Return Fund are listed on the ASX. All other investments are unlisted. Investments held in Centuria Diversified Direct Property Fund and Centuria Office Fund No. 2 are managed externally. Centuria Diversified Direct Property Fund was wound up in June 2015 and Centuria Office Fund No. 2 is expected to be wound up within the next 12 months.

During the half year TIX completed the acquisition of Australian Industrial REIT (ANI). As part of the acquisition TIX issued an additional 86,659,518 units in total thereby diluting the Group's interest. The Group also acquired an additional 6,644,231 units during the period. At balance date the Group's holding in TIX was 15.6%. In October 2015 the Group received an additional \$1.5 million of consideration representing 20 cents per ANI unit associated with it accepting into the TIX offer in April 2015. An amount of \$750,000 was recognised as a gain in the income statement and \$750,000 representing 10 cents per ANI unit, funded by the Group as part of the TIX Offer consideration, was offset against the payment for ANI management rights during the period.

The Group also increased its investment in TOT from 10.1% to 19.6%.

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Condensed notes to the interim financial report
For the half year ended 31 December 2015

Note 7: Financial assets at fair value through the profit or loss (continued)

The Group has elected to measure these investments at fair value through profit or loss as allowed under paragraph 18 of AASB 128 *Investments in Associates and Joint Ventures*.

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

| | 31 December | 30 June |
|--|--------------------|----------------|
| | 2015 | 2015 |
| | \$'000 | \$'000 |
| Balance at 1 July | 117,421 | 92,825 |
| Financial assets acquired - Distribution Reinvestment Plan | - | 2,215 |
| Financial assets acquired - Other | 19,524 | 67,727 |
| Financial assets disposed | (321) | (47,131) |
| Financial assets consolidated into financial statements | - | (5,869) |
| Fair value adjustment of financial assets | 3,062 | 7,654 |
| Closing balance | 139,686 | 117,421 |

Note 8: Assets held for sale

| | 31 December | 30 June |
|------------------------------------|--------------------|----------------|
| | 2015 | 2015 |
| | \$'000 | \$'000 |
| Investment property | | |
| 12-22 Woniora Road, Hurstville NSW | - | 47,000 |
| | - | 47,000 |
| Less: Deferred rent receivable | (1,260) | (3,119) |
| Deferred rent received | 1,260 | 1,859 |
| Balance | - | 45,740 |

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

360 Capital Group

Condensed notes to the interim financial report

For the half year ended 31 December 2015

Note 9: Investment properties

| | Date of acquisition | Book value | | Capitalisation rate | | Discount rate | | Last external valuation | Valuation \$'000 |
|--|---------------------|--------------------|---------------------|---------------------|----------------|---------------|----------------|-------------------------|------------------|
| | | 31 Dec 2015 \$'000 | 30 June 2015 \$'000 | 31 Dec 2015 % | 30 June 2015 % | 31 Dec 2015 % | 30 June 2015 % | | |
| 111 St George's Terrace, Perth WA | 2-Oct-13 | 139,000 | 139,000 | 7.62 | 8.00 | 8.75 | 8.75 | Dec-15 | 139,000 |
| 441 Murray Street, Perth WA | 2-Oct-13 | 22,000 | 25,500 | 8.25 | 8.25 | 9.25 | 9.25 | Oct-15 | 22,000 |
| City Centre Plaza, Rockhampton | 26-Jun-15 | 55,050 | 55,000 | 7.25 | 7.25 | 8.75 | 8.75 | Jun-15 | 55,000 |
| Windsor Marketplace | 11-Jun-15 | 20,300 | 20,300 | 7.00 | 7.00 | 8.00 | 8.00 | Jun-15 | 20,300 |
| Subi-Centro Shopping Centre, Subiaco Sq, WA | 1-Nov-14 | 32,300 | 32,000 | 6.75 | 6.75 | 8.00 | 8.00 | Jun-15 | 32,000 |
| Investment properties | | 268,650 | 271,800 | | | | | | |
| Less: lease income receivable and incentives | | (7,925) | (8,383) | | | | | | |
| | | 260,725 | 263,417 | | | | | | |

111 St George's Terrace, Perth WA - (360 Capital 111 St George's Terrace Property Trust)

A controlled entity of the Group owns this property which is a landmark building on the corner of William Street and St George's Terrace in the heart of Perth WA. The property comprises 19 upper floors of office space, ground floor lobby and retail and basement car park.

441 Murray Street, Perth WA - (360 Capital 441 Murray Street Property Trust)

A controlled entity of the Group owns this property which is located in the west end of the Perth business district. The property is within walking distance to the main commercial address of St George's Terrace and the Murray and Hay Street retail shopping precincts.

Subiaco Square Shopping Centre, Perth WA - (360 Capital Subiaco Square Shopping Centre Property Trust)

A controlled entity of the Group owns this property which is located in Subiaco. The property comprises a modern neighbourhood shopping centre with a net lettable area of 6,481sqm.

Windsor Marketplace, Windsor, Sydney, NSW – 360 Capital Retail Fund No.1

A controlled entity of the Group which is located in Windsor NSW. The property is a recently refurbished neighbourhood shopping centre comprising 5,347sqm with 162 car spaces.

City Centre Plaza, Rockhampton QLD – 360 Capital Retail Fund No.1

A controlled entity of the Group which is located in Rockhampton QLD. The property is a sub-regional shopping centre comprising 14,063sqm and 491 car spaces.

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Note 9: Investment properties (continued)

| | 31 December | 30 June |
|---|--------------------|----------------|
| | 2015 | 2015 |
| | \$'000 | \$'000 |
| Balance at 1 July | 271,800 | 203,000 |
| Additions to investment properties | 169 | 3,747 |
| Investment properties acquired through a business acquisition | - | 72,878 |
| Investment properties consolidated into financial statements | - | 29,000 |
| Reclassification to assets held for sale | - | (47,000) |
| Straight-lining of lease revenue and incentives | (364) | (1,235) |
| Fair value adjustment of investment properties | (2,955) | 8,260 |
| Fair value adjustment of investment properties – Deferred rent receivable | - | 3,150 |
| Closing balance | 268,650 | 271,800 |

Valuation basis

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

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

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

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

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Note 10: Borrowings

| | 31 December | 30 June |
|--|--------------------|----------------|
| | 2015 | 2015 |
| | \$'000 | \$'000 |
| Current | | |
| Borrowings - secured | 10,525 | 21,525 |
| Capitalised borrowing costs | - | - |
| | 10,525 | 21,525 |
| Non-current | | |
| Borrowings - secured | 194,184 | 194,011 |
| Capitalised borrowing costs | (2,232) | (2,610) |
| | 191,952 | 191,401 |
| Borrowings - secured | | |
| Total facility limit | 214,400 | 239,400 |
| Used at end of reporting date | 204,709 | 215,536 |
| Unused at end of reporting date | 9,691 | 23,864 |

a) Loan facilities summary

Unsecured note issue - (360 Capital Investment Trust)

In September 2014 the Group raised \$75.0 million through the issue of five year, fixed rate unsecured notes. The fixed rate of the notes is 6.9% per annum.

National Australia Bank facility - (360 Capital Investment Trust)

The Group had a loan facility with National Australia Bank ("NAB") which at 30 June 2015 was drawn to \$11.0 million. During the period the loan was repaid in full upon the settlement of the Hurstville asset which was held as security against the facility. At reporting date the facility has been terminated.

Bank of Western Australia facility - (360 Capital 111 St George's Terrace Property Trust)

A controlled entity of the Group has a loan facility with Bank of Western Australia ("Bankwest"). The \$74.0 million facility is drawn to \$69.6 million and expires in June 2019. The Group has an interest rate commercial hedge covering \$65.0 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in January 2017. The facility is secured by a mortgage in favour of Bankwest over 111 St Georges Terrace, Perth WA.

Bank of Western Australia facility - (441 Murray Street Property Trust)

A controlled entity of the Group has a loan facility with Bankwest. The \$13.0 million facility is drawn to \$10.5 million and has been extended to February 2016. The Group has an interest rate commercial hedge covering \$9.5 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in May 2016. The facility is secured by a mortgage in favour of Bankwest over 441 Murray Street, Perth WA.

Bank of Western Australia facility - (360 Capital Subiaco Square Shopping Centre Property Trust)

A controlled entity of the Group has a loan facility with Bankwest. The \$15.0 million facility is drawn to \$13.7 million and expires in December 2018. The Group has an interest rate commercial hedge covering \$13.7 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in November 2017. The facility is secured by a mortgage in favour of Bankwest over Subiaco Square Shopping Centre, Perth WA.

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Note 10: Borrowings (continued)

St George Bank facility – (360 Capital Retail Fund No.1)

A controlled entity of the Group has a loan facility with St George. The \$37.4 million facility is drawn to \$34.1 million and expires in June 2018. The Group has an interest rate hedge covering \$34.6 million of the facility at a rate of 2.54% (exclusive of the underlying margin). The interest rate hedge expires in June 2022. The facility is secured by a mortgage in favour of St George over Windsor Marketplace Windsor, Sydney NSW and City centre Plaza, Rockhampton QLD.

Funding Covenants

All loan facilities are subject to standard commercial covenants consistent with the type of loan including Loan Value Ratio, Interest Cover Ratio and Negative Variations. At the date of this report, the Group complies with all debt covenants and did at all times during the year.

Note 11: Equity

(a) Issued capital

| | 31 December | 30 June |
|--|--------------------|----------------|
| | 2015 | 2015 |
| | 000's | 000's |
| 360 Capital Group Limited - Ordinary shares issued | 226,733 | 226,733 |
| 360 Capital Investment Trust - Ordinary units issued | 226,733 | 226,733 |
| | \$'000 | \$'000 |
| 360 Capital Group Limited - Ordinary shares issued | 7,386 | 7,386 |
| 360 Capital Investment Trust - Ordinary units issued | 167,815 | 167,815 |
| Total issued capital | 175,201 | 175,201 |

(b) Movements in issued capital

There were no movements during the half year in the number of issued securities of the Group (June 2015: Nil).

There were no movements during the half year in the value of issued securities of the Group (June 2015: Nil).

Under Australian Accounting Standards securities issued under the 360 Capital Group ESP are required to be accounted for as options and are excluded from total issued capital, until such time as the relevant employee loans are fully repaid or the employee leaves the Group. Total ordinary securities issued as detailed above is reconciled to securities issued on the ASX as follows:

| | 31 December | 30 June |
|---|--------------------|----------------|
| | 2015 | 2015 |
| | 000's | 000's |
| Total ordinary securities disclosed | 226,733 | 226,733 |
| Issued capital on 2 October 2013 - Employee security plan | 21,970 | 21,970 |
| Units redeemed on 17 September 2015 | (1,200) | - |
| Total securities issued on the ASX | 247,503 | 248,703 |

During the half year 1,200,000 securities previously issued under the Group ESP were bought back and cancelled (June 2015: Nil).

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(c) Employee Security Plan

During the year ended 30 June 2014, 21,970,000 securities were granted to employees under the 360 Capital Group ESP, on 18 September 2015 the Group bought back and cancelled 1,200,000 of these securities. The issue price per security was \$0.59 which was equal to the price per security in the \$70.8 million Institutional Capital Raising completed in October 2013. The grant of the securities is subject to a 3 year Total Securityholder return target.

The employees who participated in the ESP were also provided with a loan on the grant date of an amount equivalent to the face value of the securities. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities.

Note 12: Financial instruments

Fair values

The fair values of all financial instruments with the exception of non-current borrowings approximate their carrying values. This is largely due to the short-term maturities of these instruments. The fair value of non-current borrowings is categorised within the fair value hierarchy as a Level 2 input. Set out below is a comparison of the carrying amount and fair value of non-current borrowings at balance sheet date:

| | Carrying amount | | Fair value | |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 31 December 2015 \$'000 | 30 June 2015 \$'000 | 31 December 2015 \$'000 | 30 June 2015 \$'000 |
| Non-Current Financial liabilities | | | | |
| Borrowings | 191,952 | 191,401 | 194,184 | 194,011 |
| Total non-current financial liabilities | 191,952 | 191,401 | 194,184 | 194,011 |

The fair value of receivables, trade and other payables and distributions payable approximate their carrying amounts largely due to 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.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows and based on the lowest level input that is significant to the fair value measurements as a whole:

- Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Group 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.

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Note 12: Financial instruments (continued)

At balance date, the Group held the following classes of financial instruments measured at fair value:

| | Total | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 31 December 2015: | | | | |
| Financial assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | 139,686 | 135,411 | - | 4,275 |
| Financial liabilities measured at fair value | | | | |
| Derivative financial instruments | 1,256 | - | 1,256 | - |
| As at 30 June 2015: | | | | |
| Financial assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | 117,421 | 113,018 | - | 4,403 |
| Financial liabilities measured at fair value | | | | |
| Derivative financial instruments | 1,347 | - | 1,347 | - |

There were no transfers between Level 1 and Level 2 fair value measurements, and no other transfers into or out of Level 3 fair value measurements. Fair value hierarchy levels are reviewed on an annual basis unless there is a significant change in circumstances indicating that the classification may have changed.

Valuation techniques

Fair value profit or loss financial assets

For fair value profit or loss financial assets, the Group invests in listed and unlisted investments. The value of the investments in the listed market is stated at unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments. Unlisted investments are not traded in an active market and are categorised as Level 3 instruments. NTA of the underlying investments is used as a basis for valuation however may be amended as deemed appropriate (e.g. when the NTA of the underlying investment is negative). The NTA of investments is driven by underlying investment properties which are carried at fair value based on valuations using the capitalisation rate, markets sale comparison and discounted cash flow approaches (refer to Note 9). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates which are estimated to be 7.5% to 9.5% and discount rates estimated to be between 9.0% and 10.5%. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date.

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Note 12: Financial instruments (continued)

Derivatives

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 13: Business combinations

Summary of acquisitions that occurred in the prior period, full disclosures relating to these acquisitions can be found in the annual financial report of the Group for the year ended 30 June 2015:

Acquisition of 360 Capital Subiaco Square Shopping Centre Property Trust

In October 2014 the Group increased its investment in the 360 Capital Subiaco Square Shopping Centre Property Trust from 24.1% to 39.8%. As a result of the increase in ownership, the Group's role as Responsible Entity of the trust and relative dispersion of the remaining interests not held by the Group, the Group is deemed to control the Trust. The acquisition has been accounted for using the acquisition method.

The acquired business contributed revenues of \$0.4 million and net loss after tax of \$0.03 million to the Group from 1 November 2014 to 31 December 2014. If the acquisition had occurred on 1 July 2014, consolidated total revenue from continuing operations and the consolidated net profit after tax of the acquired business for the half year ended 31 December 2014 would have been \$1.7 million and \$0.3 million respectively. These amounts have been calculated using the Group's accounting policies.

Acquisition of 360 Capital Total Return Fund

On the 21 April 2015 the Group invested \$5.0 million acquiring a 52.1% holding in CVC Property Fund (ASX code: CJT), a listed property fund. The acquisition was part of the restructure and subsequent relisting of the fund as the 360 Capital Total Return Fund (ASX code: TOT). On 17 April 2015, prior to the acquisition, a Group entity was appointed as responsible entity of CJT. On the 22 April, the day after the acquisition, the Group's interest in TOT was diluted down to 10.1% through a \$40 million capital raise. The Group is deemed to control the fund for the one day period from 21 April 2015 to 22 April 2015 as it held a 52.1% interest in CJT and was the manager of the fund. Given that at the date of the acquisition and subsequent dilution of the Group's interest in the fund, the fair value of the assets and liabilities acquired was equal to the consideration paid, no gain or loss has been recognised on the consolidation and deconsolidation of the fund.

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Note 14: Intangible assets

| | 31 December | 30 June |
|---|--------------------|----------------|
| | 2015 | 2015 |
| Cost | \$'000 | \$'000 |
| Opening balance at 1 July | 5,000 | 5,000 |
| Management right - indefinite useful life | 8,879 | - |
| Closing balance at 30 June | 13,879 | 5,000 |
| Net book value | 13,879 | 5,000 |

Management rights are held in relation to property funds and were acquired following the acquisition of 360 Capital Property Group in the 2014 financial year. The movement in the current period of \$8.9 million relates to the acquisition of management rights relating to ANI, and represents the 10 cpu consideration the Group paid to ANI investors. The value of management rights are reviewed annually for impairment.

Note 15: Related party transactions

The following significant transactions occurred with related parties during the half year:

Investment in Australian Industrial REIT and conversion into TIX units

During the half year TIX completed the acquisition of Australian Industrial REIT (ASX: ANI). As part of the acquisition TIX issued an additional 86,659,518 units in total thereby diluting the Group's interest, the Group also acquired an additional 6,644,231 units during the period. At the end of period the Group's holding in TIX is 15.6%. In October 2015 the Group received an additional \$1.5 million of consideration representing 20 cents per ANI unit associated with it accepting into the TIX offer in April 2015. An amount of \$750,000 was recognised as a gain in the income statement and \$750,000 representing 10 cents per ANI unit funded by the Group as part of the TIX offer consideration was offset against the payment for ANI management rights during the period.

The following significant transactions occurred with related parties during the previous half year:

Acquisition of 360 Capital Diversified Property Fund

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

Exit Fee Conversion - 360 Capital 111 St Georges Terrace Property Trust

On 10 December 2014 the unitholders of 360 Capital 111 St Georges Terrace Property Trust voted in favour of a resolution to extend the term of the Trust to January 2022 and to crystallise and reset the exit fee through the issue of additional units in the Trust to the Group. Accordingly the Trust paid out the exit fee payable of \$3,425,000 through the issue of 910,904 units to the Group.

Exit Fees Conversion - 360 Capital Subiaco Square Shopping Centre Property Trust

On 2 October 2014 the unitholders of 360 Capital Subiaco Square Shopping Centre Property Trust voted in favour of a resolution to extend the term of the Trust to December 2020 and to crystallise and reset the exit fee through the issue of additional units in the Trust to the Group. Accordingly the Trust paid out the exit fee payable of \$725,000 through issue of 414,286 units to the Group.

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Condensed notes to the interim financial report
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Note 15: Related party transactions (continued)

Acquisition of 360 Capital Retail Fund No.1

The 360 Capital Retail Fund No.1 is a controlled entity of the Group, which acquired two retail investment properties in June 2015. In June 2015 the Group held underwrite units in the Fund representing a 77.6% interest in the Fund. During the current period the Group continued to sell down underwrite units and at balance date held a 71.5% interest in the Fund.

Acquisition of 360 Capital Total Return Fund

In April 2015 the Group acquired a \$5.0 million stake, representing 52.1%, in CVC Property Fund (ASX code CJT) and was subsequently diluted down to 10.1% through a \$40 million capital raise undertaken by the fund. 360 Capital Investment Management Limited was also appointed as responsible entity of the Fund in April 2015. During the current period the Group acquired a further 9.5% in the Fund taking its total holding to 19.6%.

Note 16: Events subsequent to balance date

Post the reporting period, the Group received an offer (subject to various approvals) from TOF for the acquisition of the Group's 44.4% holding in the 360 Capital 111 St George's Terrace Property Trust for \$30.4 million.

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

360 Capital Group

Directors' declaration

For the half year ended 31 December 2015

In the opinion of the Directors of 360 Capital Group Limited:

- 1) The consolidated financial statements and notes that are set out on pages 9 to 33 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- 2) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



Tony Robert Pitt
Director



Graham Ephraim Lenzner
Director

Sydney
24 February 2016

To the unitholders of 360 Capital Group Limited

Report on the Interim Financial Report

We have reviewed the accompanying consolidated interim financial report of 360 Capital Group Limited (the "entity") which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the entity and the entities it controlled at the period end or from time to time during the period.

Directors' Responsibility for the Interim Financial Report

The directors of the entity are responsible for the preparation of the consolidated interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the consolidated interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2015 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 360 Capital Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

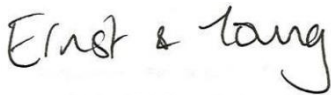
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors a written Auditor's Independence Declaration, a copy of which follows the Directors' Report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Mark Conroy
Partner
Sydney
24 February 2016