ASX Release | Appendix 4D

360 Capital Group

For the half year ended 31 December 2016

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 4.2A. This report should be read in conjunction with the Interim Financial Report for the half year ended 31 December 2016. It is also recommended that the Interim Financial Report be considered together with any public announcements made by the Group. Reference should also be made to the statement of significant accounting polices as outlined in the 30 June 2016 Financial Report. The Interim Financial Report for the period ended 31 December 2016 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2016 – 31 December 2016

Prior corresponding period: 1 July 2015 – 31 December 2015

Results for announcement to the market:

	31 Dec 2016 $'000	31 Dec 2015 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	107,984	28,375	79,609	280.6
Profit from ordinary activities after tax attributable to stapled securityholders	53,445	7,703	45,742	593.8
Operating profit [1]	9,166	7,605	1,561	20.5

[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 2 of the Interim Financial Report.

	31 Dec 2016 Cents	31 Dec 2015 Cents	Movement Cents	Movement %
Basic earnings per stapled security	24.1	3.4	20.7	608.8
Diluted earnings per stapled security	22.3	3.1	19.2	619.4
Operating earnings per stapled security	4.1	3.3	0.8	24.2

360 Capital Group

For the half year ended 31 December 2016

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 2016 quarter distribution	1.625	3,893	28 October 2016
December 2016 quarter distribution	1.625	3,894	25 January 2017
Total distribution for the period ended 31 December 2016	**3.25**	**7,787**	
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**	

Net tangible assets per security:

	31 Dec 2016 $	31 Dec 2015 $
Net tangible assets (NTA) diluted per security [2]	0.93	0.65

[2] The number of securities on issue on the Australian Stock Exchange (ASX) at 31 December 2016 is 239.6 million (December 2015: 247.5 million). For calculation of NTA diluted per security, the securities on issue per the ASX are used and Net Assets are adjusted for the value of the ESP loans receivable. For financial reporting the number of securities is reduced to 222.3 million (December 2015: 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 and the corresponding ESP loan receivable is also not recognised as an asset.

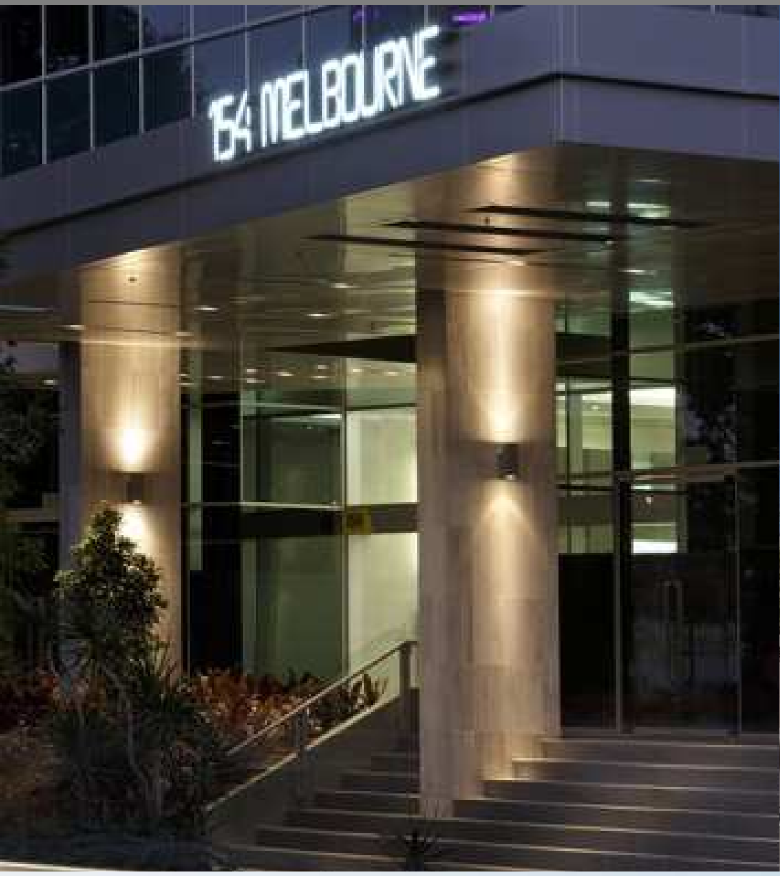
Control gained or lost over entities during the year:

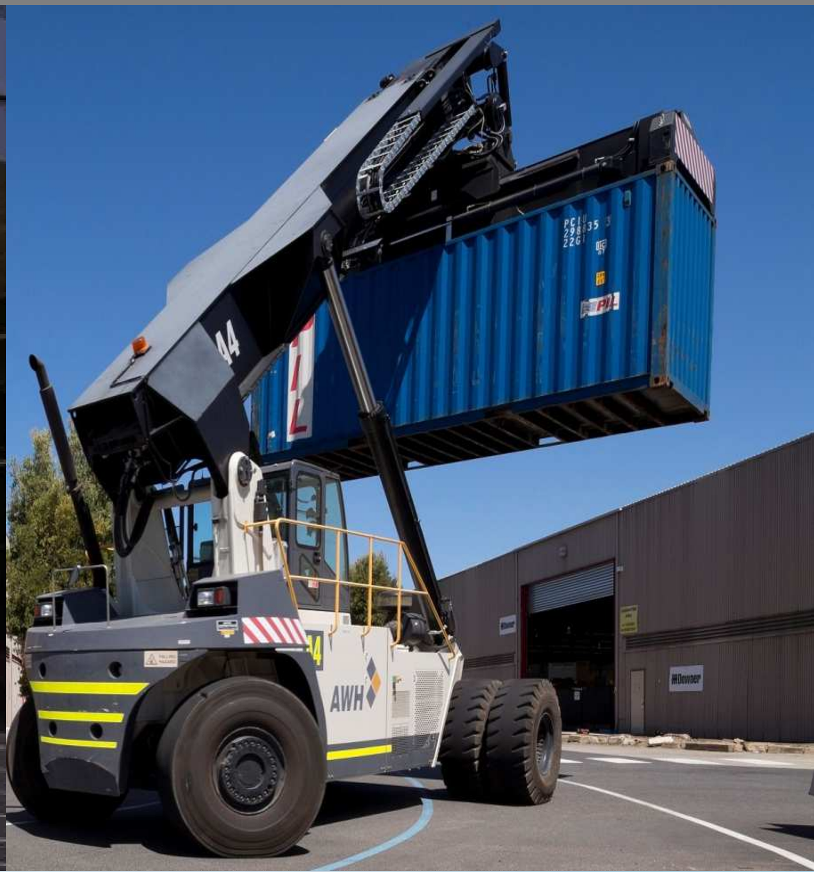
Refer to Note 16 of the Interim Financial Report.

360 CAPITAL GROUP

Interim Financial Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2016





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

360 CAPITAL GROUP

Interim Financial Report
For the half year ended 31 December 2016

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 2016 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 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 2016. 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

On the disposal date of 30 December 2016, 360 Capital Group completed a transaction to sell the majority of its fund management platform and co-investment stakes in its listed and unlisted funds to Centuria Capital Group (ASX code: CNI)(Centuria) and associates for approximately $290.7 million. This involved the sale of 360 Capital Investment Management Limited (CIML) a wholly owned subsidiary and the disposal of the Group's holdings in 360 Capital Industrial Fund (TIX) and 360 Capital Office Fund (TOF), together with entering into a put and call option over the majority of its remaining stakes in the unlisted funds (the Transaction). The Transaction was subsequently settled on 9 January 2017. Post settlement of the Transaction, the name of TIX was subsequently changed to Centuria Industrial REIT (ASX code: CIP) and the name of TOF was changed to Centuria Urban REIT (ASX code: CUA).

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 2016 was $53.4 million (December 2015: $7.7 million). The operating profit (profit before specific non-cash items and significant items) was $9.2 million (December 2015: $7.6 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.

Operating and financial review (continued)

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 2 of the accompanying financial statements for the half year ended 31 December 2016, which have been subject to review; refer to page 40 for the auditor's review report on the financial statements.

	Total core 31 December 2016 $'000	Total core 31 December 2015 $'000
Profit after tax attributable to stapled securityholders of 360 Capital Group	**53,445**	**7,703**
Specific non-cash items		
Net loss/(gain) on fair value of financial assets	7,542	(1,745)
Net (gain)/loss on fair value of derivative financial instruments	(229)	173
Security based payment expense	-	345
Share of equity accounted profits, net of distribution received	(1,180)	(110)
Other items	-	195
Significant items		
Net gain on disposal of subsidiary	(77,621)	-
Transaction costs	4,968	-
Write-off deferred borrowing costs	1,195	-
Acquisition and underwrite fees recognised	1,955	-
Net loss on sale of investment properties	-	279
Rent receivable adjustment	-	1,260
Net gain on sale of financial assets	-	(750)
Tax effect		
Tax effect of non-cash and significant items	19,091	255
Operating profit (profit before specific non-cash and significant items)	**9,166**	**7,605**

The key financial highlights for the half year ended 31 December 2016 include:

- Statutory net profit attributable to stapled securityholders of $53.4 million (December 2015: $7.7 million)
- Statutory basic earnings per security (EPS) of 24.1 cps (December 2015: 3.4 cps)
- Operating profit of $9.2 million (December 2015: $7.6 million)
- Operating diluted EPS[1] of 4.1 cps (December 2015: 3.3 cps)
- Distributions of 3.25 cps (December 2015: 3.125 cps)
- Net assets attributable to security holders increased 28.3% to $212.2 million from $165.4 million as at 30 June 2016
- Security trading price of $0.88 per security (June 2016: $0.96)
- Group's market capitalisation of $209.7 million as at 31 December 2016 (June 2016: $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.

Operating and financial review (continued)

The key operating achievements for the half year ended 31 December 2016 include:

- Sale of Subiaco Square Shopping Centre for $38.4 million, returning to the Group $9.4 million in cash
- The Group completed a transaction to sell the majority of its fund management platform and co-investment stakes in its listed and unlisted funds to Centuria for approximately $290.7 million
- Repaid all the Group's $75 million fixed rate note issue on 10 January 2017 with the Group now debt free
- Post balance date bought back 25 million 360 Capital Group securities (10.4% of issued capital)

Summary of divestment transaction

On the effective date ("Disposal date") of 30 December 2016, 360 Capital Group completed a transaction to sell the majority of its funds management platform and co-investment stakes in its listed and unlisted funds to Centuria and associates for $290.7 million. This involved the sale of CIML, a wholly owned subsidiary and the disposal of the Group's holdings in TIX and TOF, together with entering into a put and call option over the majority of its remaining stakes in the unlisted funds. The Transaction was subsequently settled on 9 January 2017, and following settlement, the Trust repaid all outstanding notes under its $75.0 million fixed rate note issue.

By the Disposal date, substantially all material conditions to the Transaction had been satisfied with the only actions to occur between 30 December 2016 and settlement on 9 January 2017 being procedural in nature. Conditions precedent to the transaction which had been completed at the Disposal date included; 360 Capital Group securityholder approval of a change in the Trust's responsible entity, which was approved at a meeting on 23 December 2016, TOF unitholder approval of the sale of the Group's 28.8% co-investment in TOF to Centuria entities which was approved at a meeting to be held on 30 December 2016 and 360 Capital Group noteholder approval to the change or responsible entity of the Trust and early redemption of the Notes with approval received at a meeting of noteholders on 15 December 2016.

Financial results

Statutory results

The Group's statutory net profit attributable to securityholders for the half year ended 31 December 2016 was $53.4 million, equating to 24.1 cps, reflecting a 593.8% increase from $7.7 million for the prior period. The significant increase in statutory net profit was due to the disposal of CIML associated with the sale of the Group's management platform realising a gain of $77.6 million (before costs), and recognising an associated net tax expense of $20.5 million for the period. The current period statutory profit was also impacted by the fair value loss on financial assets of $8.5 million mainly resulting from a fall in the value of the Group's listed investments during the period.

The Group's statutory balance sheet as at 31 December 2016 was impacted by the disposal by 360 Capital Subiaco Shopping Centre Trust of its investment property and subsequent wind up of the fund together with the deconsolidation of the remaining four managed funds previously controlled by the Group. The investment properties held by the managed funds of $261.6 million and secured borrowings of $141.8 million were derecognised resulting from the deconsolidation of the managed funds due to the loss of control associated with the completion of the Transaction.

The Group recognised a receivable at 31 December 2016 of $234.3 million relating to the sale of CIML together with its holding in TIX and TOF in accordance with the Transaction. This receivable was subsequently settled on 9 January 2017, through the receipt of cash and the provision of a $50.0 million vendor loan. The Group's $78.0 million of borrowings at balance date comprised its unsecured fixed rate notes which were classified as current liabilities at 31 December 2016, as they were required to be repaid and notes redeemed as a consequence of the Transaction.

The Group's net assets attributable to securityholders increased to $221.9 million, an increase of $56.5 million primarily due to the completion of the Transaction during the period.

Operating and financial review (continued)

Operating results

The operating profit for the half year ended 31 December 2016 was $9.2 million, equating to an operating diluted EPS of 4.1cps, a 27.9% increase from $7.6 million in the prior period. The result reflects an increase in fund management revenue with the recognition of the remaining acquisition and underwrite fees on the 360 Capital Retail Fund No.1 of $1.9 million during the period. The increase in fund management revenue was offset by a reduction in net property income of $1.2 million compared to the prior period due to the sale of the Group's last direct property asset in September 2015. Operating expenses decreased by 32.0% from the prior period to $2.5 million resulting from rationalisation of the business and the delivery of operating efficiencies.

Capital management and strategy

The Group will continue to be listed on the ASX and the Group will continue its strategy of being a fund manager and co-investor.

Post the settlement of the initial stage of the Transaction and the security buy back undertaken in February 2017, the Group has approximately $97.0 million in cash, a $50.0 million loan receivable from Centuria, its investment stakes in the unlisted trusts and funds of $63.5 million and continues to own 24.3% co-investment stake in 360 Capital Total Return Fund (ASX code: TOT) of $9.7 million. The Group has also fully repaid and redeemed its $75.0 million unsecured note issue in January 2017 and is now debt free.

The Group has approval from securityholders to buy back up to 48.0 million securities, approximately 20% of its issued capital, as part of its capital management initiatives. Post balance date the Group bought back 25.0 million securities reducing the number of securities on issue to approximately 214.7 million.

Listed Funds

The Group, given the significant level of cash post settlement of the Transaction, is focused on sponsoring transactions with the 360 Capital Total Return Fund, to grow TOTs asset base and make the fund more relevant.

The fund has a broad investment strategy allowing the fund to operate in a highly flexible manner to capitalise on investments, including but not limited to; value-add/repositioning of direct assets, strategic investments in unlisted and listed real estate funds and businesses, senior and mezzanine finance, distressed debt and "work out" opportunities.

Institutional partnerships and private equity real estate

The Group has had various discussions with overseas private equity real estate groups over the past 12 months. The Group has elected not to progress these discussions to date based on its focus on continuing to grow its listed platform and not create potential conflicts between investors. Unlike many small and mid-tier real estate Group's in Australia, the Group does not have a substantial overseas real estate shareholder. The Group is independent with an Australian-only investment focus.

The Group will progress discussions with various parties on two fronts, firstly partnering with overseas institutions seeking local expertise to either partner in investments and/or establish a platform, potentially as a joint venture.

The Group will also look to establish a private equity real estate fund in due course and will seek equity commitments from private equity limited partners over the next 1-2 years. This fund will focus on counter cyclical opportunities within Australian real estate and will be the Group's main wholesale focus going forward. The Group is expected to generate substantial carry fees in line with other private equity models from this fund once it is established.

Summary and Outlook

The 360 Capital Group will continue its strategy of being a fund manager and co-investor, however, given the significant level of cash post the Transaction, the Group will also look to sponsor transactions with TOT and institutional partners as opportunities arise. The Group will be patient with the redeployment of its capital, and continue to monitor opportunities, manage the exposures it has to Centuria, look at growing revenue streams without using its capital, and continue to be opportunistic in our approach to creating value for our investors.

Dividends and distributions

The Company did not declare any dividends during the half year or up to the date of this report (December 2015: Nil).

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

	31 December 2016 $'000	31 December 2015 $'000
1.5625 cents per unit paid on 26 October 2015	-	3,867
1.5625 cents per unit paid on 28 January 2016	-	3,867
1.625 cents per unit paid on 28 October 2016	3,893	-
1.625 cents per unit paid on 25 January 2017	3,894	-
	7,787	7,734

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

Post the completion of the Transaction, as disclosed above, the Group will continue to focus on growing its remaining listed investment and redeploying capital from the sale of its fund management platform and co-investments investments, together with investigating new partnering and private equity opportunities.

Events subsequent to balance date

Settlement of the Transaction, as disclosed above, occurred on 9 January 2017 which included the receipt of cash in consideration for the Groups disposal of CIML and its investments in TIX and TOF, and the provision of a $50.0 million vendor loan to a wholly owned subsidiary of Centuria. On 10 January 2017, part of the proceeds from the Transaction were used to repay noteholders of the Group's $75.0 million fixed rate note issue. On 2 February 2017, the 360 Capital Group activated its on market buy back, as approved by securityholders on 28 November 2016, acquiring and subsequently cancelling 25.0 million securities at a price of 90 cents per security.

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 2016.

Rounding of amounts

360 Capital Group is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Instrument, amounts in the 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
23 February 2017

Building a better working world

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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 2016, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Mark Conroy

Mark Conroy
Partner
23 February 2017

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2016

	Note	31 December 2016 $'000	31 December 2015 $'000
Revenue from continuing operations			
Rental from investment properties		15,559	14,838
Funds management fees		4,122	3,902
Distributions from property funds		5,610	5,513
Finance revenue		178	197
Total revenue from continuing operations		**25,469**	24,450
Other income			
Net gain on disposal of subsidiary	15	77,621	-
Net gain on fair value of financial assets		-	3,062
Net gain on disposal of financial assets		-	750
Share of equity accounted profits		1,463	110
Net gain on fair value of investment properties		1,782	-
Net gain on fair value of derivative financial instruments		1,649	-
Other income		-	3
Total other income		**82,515**	3,925
Total revenue from continuing operations and other income		**107,984**	28,375
Investment property expenses		5,676	5,288
Employee benefit expenses		1,968	3,224
Administration expenses		723	1,023
Depreciation expenses		6	5
Finance expenses	4	7,503	6,087
Transaction costs		4,968	-
Net loss on fair value of financial assets	8	8,498	-
Net loss on fair value of investment properties		-	2,955
Net loss on fair value of derivative financial instruments		-	82
Net loss on sale of investment properties		355	279
Profit from continuing operations before income tax		**78,287**	9,432
Income tax expense	6	20,531	700
Profit for the half year		**57,756**	8,732

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2016

	Note	31 December 2016 $'000	31 December 2015 $'000
Profit for the half year		**57,755**	8,732
Other comprehensive income for the half year		**-**	-
Total comprehensive income for the half year		**57,755**	8,732
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		57,220	714
Unitholders of 360 Capital Investment Trust		(3,775)	6,989
Profit after tax attributable to the stapled securityholders		**53,445**	7,703
External non-controlling interests		4,311	1,029
Profit for the half year		**57,756**	8,732

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		**Cents**	**Cents**
Basic earnings per security	5	24.1	3.4
Diluted earnings per security	5	22.3	3.1

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 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents		16,456	13,732
Receivables	7	187,212	3,993
Other current assets		123	654
Assets held for sale	9	-	38,350
Total current assets		**208,675**	56,729
Non-current assets			
Receivables	7	50,000	-
Financial assets at fair value through profit or loss	8	63,510	146,806
Investments equity accounted		9,746	-
Investment properties	10	-	258,700
Intangible assets	14	-	13,879
Property, plant and equipment		49	54
Deferred tax assets		1,231	144
Total non-current assets		**124,536**	419,583
Total assets		**328,327**	476,312
Current liabilities			
Trade and other payables		12,514	4,814
Borrowings	11	78,000	10,841
Distribution payable		3,894	3,744
Income tax payable		21,618	878
Provisions		54	106
Other current liabilities		-	1,676
Total current liabilities		**116,081**	22,059
Non-current liabilities			
Borrowings	11	-	207,258
Derivative financial instrument		-	2,190
Provisions		68	66
Total non-current liabilities		**68**	209,514
Total liabilities		**116,149**	231,573
Net assets		**212,179**	244,739

360 Capital Group

Consolidated interim statement of financial position

As at 31 December 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
Equity			
Issued capital - ordinary shares	12	6,566	6,488
Issued capital - trust units	12	163,119	162,595
Security based payments reserve		5,704	5,119
Retained earnings/(accumulated losses)		36,790	(8,765)
Total equity attributable to stapled Securityholders		**212,179**	165,437
External non-controlling interest		-	79,302
Total equity		**212,179**	244,739

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 2016

	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Retained earnings/ (accumulated losses) $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	6,488	162,595	5,119	(8,765)	165,437	79,302	244,739
Total comprehensive income for the year	-	-	-	53,445	53,445	4,311	57,756
Transactions with non-controlling interest	-	-	-	(103)	(103)	(66,430)	(66,533)
Transactions with Securityholders in their capacity as Securityholders							
Issued shares/units - ESP	78	524	-	-	602	-	602
Security based payment transactions	-	-	585	-	585	-	585
Equity raising transaction costs	-	-	-	-	-	(29)	(29)
Dividends/distributions	-	-	-	(7,787)	(7,787)	(17,154)	(24,941)
	78	524	585	(7,787)	(6,600)	(17,183)	(23,783)
Balance at 31 December 2016	**6,566**	**163,119**	**5,704**	**36,790**	**212,179**	**-**	**212,179**

	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Retained earnings/ (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
Transactions with 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 2015	7,386	167,815	4,227	(18,087)	161,341	67,939	229,280

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 2016

	31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	23,411	20,429
Cash payments to suppliers and employees (inclusive of GST)	(8,951)	(9,662)
Distributions received	5,442	5,466
Finance revenue	179	196
Finance expenses	(5,747)	(5,702)
Income tax paid	(878)	(95)
Net cash inflows from operating activities	**13,456**	10,632
Cash flows from investing activities		
Payments for investment properties	(3,129)	(170)
Proceeds from disposal of investment properties	38,350	38,901
Payments for property, plant and equipment	(1)	-
Payments for financial assets	-	(19,524)
Proceeds from disposal of financial assets	-	1,181
Proceed from repayment of ESP loans	602	-
Payments for intangible assets	-	(8,879)
Proceeds for disposal subsidiary - net of cash divested	(5,037)	-
Payment of transaction costs on disposal of subsidiary	(595)	-
Net cash inflows from investing activities	**30,190**	11,509
Cash flows from financing activities		
Proceeds from borrowings	722	-
Repayment of borrowings	(13,705)	(11,000)
Distributions paid to stapled securityholders	(7,637)	(7,547)
Distributions paid to external non-controlling interests	(16,867)	(2,951)
Proceeds from issue of capital to non-controlling interest	3,501	2,698
Net cash outflows from financing activities	**(33,986)**	(18,800)
Net increase in cash and cash equivalents	**9,660**	3,341
Cash and cash equivalents at the beginning of the half year	13,732	14,967
Cash balance on deconsolidation of controlled entities	(6,936)	-
Cash and cash equivalents at the end of the half year	**16,456**	18,308

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

Note 1: Basis of preparation

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 2016 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 2016 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 2016, the Group has not adopted any new accounting standards or amendments.

b) Basis of preparation

Basis of preparation
360 Capital Group Limited and its subsidiaries are for-profit entities for the purpose of preparing the interim financial report.

The interim financial report has been prepared on an accruals basis and on the historical cost basis except for investment properties, financial assets and financial liabilities, which are stated at their fair value.

The interim financial report is presented in Australian dollars.

360 Capital Group is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Instrument, amounts in the annual financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Note 2: 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 - this segment ceased in September 2015 with the sale of the consolidated entity's last remaining direct property asset.

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 the 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 funds with 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. These managed funds were deconsolidated during the period due to a loss of control associated with the Transaction.

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

Note 2: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2016 are as follows:

Half ended 31 December 2016	**Co-investment funds**	**Direct asset investment**	**Funds management**	**Corporate**	**Total core**	**Consolidation & eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Management fee revenue	-	-	7,186	-	7,186	(1,109)	6,077
Net property income	-	-	-	-	-	10,147	10,147
Co-investment revenue	8,779	-	-	-	8,779	(2,887)	5,892
Other income	-	-	-	-	-	-	-
Total revenue and other income	**8,779**	**-**	**7,186**	**-**	**15,965**	**6,151**	**22,116**
Operating expenses	76	-	1,937	463	2,476	212	2,688
Earnings before interest and tax (EBIT)	**8,703**	**-**	**5,249**	**(463)**	**13,489**	**5,939**	**19,428**
Net interest expense	-	-	(98)	2,982	2,884	3,245	6,129
Operating profit before tax	**8,703**	**-**	**5,347**	**(3,445)**	**10,605**	**2,694**	**13,299**
Income tax expense	-	-	-	1,439	1,439	-	1,439
Operating profit (before specific non-cash and significant items)	**8,703**	**-**	**5,347**	**(4,884)**	**9,166**	**2,694**	**11,860**
Interest on Group ESP					580		
Operating earnings used in calculating - diluted operating EPS					**9,746**		
Weighted average number of securities - diluted ('000)					239,603		
Operating profit per security (EPS) - cents - diluted					**4.1**		

Note 2: 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	Direct asset	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'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
Other income	-	-		-	-	-	-
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 - basic ('000)					226,733		
Operating profit per security EPS - cents					**3.3**		

Note 2: Segment reporting (continued)

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

	Total core 31 December 2016	Total core 31 December 2015	Total 31 December 2016	Total 31 December 2015
	$'000	$'000	$'000	$'000
Profit after tax attributable to stapled securityholders	**53,445**	7,703		
Profit for the year			**57,756**	8,732
Specific non-cash items				
Net loss/(gain) on fair value of financial assets	7,542	(1,745)	8,508	(3,062)
Net (gain)/loss on fair value of investment properties	-	-	(1,782)	2,955
Net (gain)/loss on fair value of derivative financial instruments	(229)	173	(1,649)	82
Security based payments expense	-	345	-	345
Share of equity accounted profits, net of distributions received	(1,180)	(110)	(1,180)	(110)
Straight-lining of lease revenue and incentives	-	-	264	352
Other items	-	195	-	195
Significant items				
Net gain on disposal of subsidiary	(77,621)	-	(77,621)	-
Transaction costs	4,968		4,968	
Write-off deferred borrowing costs	1,195		1,195	
Net loss on disposal of investment properties	-	279	355	279
Rent receivable adjustment	-	1,260	-	1,260
Net gain on sale of units	-	(750)	-	(750)
Acquistion and underwrite fees	1,955	-	1,955	-
Tax effect				
Tax effect of specific non-cash and significant items	19,091	255	19,091	255
Operating profit (before specific non-cash and significant items)	**9,166**	7,605	**11,860**	10,533

Note 2: Segment reporting (continued)

As at 31 December 2016	Co-investment funds $'000	Direct asset $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets							
Cash and cash equivalents	9,787	-	2,348	4,321	**16,456**	-	16,456
Financial assets at fair value through the profit or loss	73,256	-	-	-	**73,256**	-	73,256
Other assets and intangibles	127,810	-	109,429	1,376	**238,615**	-	238,615
Total assets	210,853	-	111,777	5,697	**328,327**	-	328,327
Liabilities							
Borrowings	-	-	-	78,000	**78,000**	-	78,000
Other liabilities	484	-	5,942	31,722	**38,148**	-	38,148
Total liabilities	484	-	5,942	109,722	**116,148**	-	116,148
Net assets	**210,369**	**-**	**105,835**	**(104,025)**	**212,179**	**-**	**212,179**

As at 30 June 2016	Co-investment funds $'000	Direct asset $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets							
Cash and cash equivalents	292	-	10,774	200	**11,266**	2,466	13,732
Assets held for sale	-	-	-	-	**-**	38,350	38,350
Investment properties	-	-	-	-	**-**	258,700	258,700
Financial assets at fair value through the profit or loss	224,383	-	-	-	**224,383**	(77,577)	146,806
Other assets and intangibles	3,012	-	15,494	204	**18,710**	14	18,724
Total assets	227,687	-	26,268	404	**254,359**	221,953	476,312
Liabilities							
Borrowings	-	-	-	76,812	**76,812**	141,286	218,098
Other liabilities	75	-	2,737	6,263	**9,075**	4,400	13,475
Total liabilities	75	-	2,737	83,075	**85,887**	145,686	231,573
Net assets	**227,612**	**-**	**23,531**	**(82,671)**	**168,472**	**76,267**	**244,739**

Note 3: Distributions and dividends

The Company did not declare any dividends during the half year or up to the date of this report (December 2015: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

	31 December 2016 $'000	**31 December 2015 $'000**
1.5625 cents per unit paid on 26 October 2015	-	3,867
1.5625 cents per unit paid on 28 January 2016	-	3,867
1.625 cents per unit paid on 28 October 2016	3,893	-
1.625 cents per unit paid on 25 January 2017	3,894	-
	7,787	7,734

Note 4: Finance expenses

	31 December 2016 $'000	**31 December 2015 $'000**
Interest and finance charges paid and payable	5,893	5,709
Write-off deferred borrowing costs	1,195	-
Borrowing cost amortisation	415	378
	7,503	6,087

Note 5: Earnings per stapled security

	31 December 2016 ¢	**31 December 2015 ¢**
Basic earnings per stapled security	24.1	3.4
Diluted earnings per stapled security	22.3	3.1

	$'000	**$'000**
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	53,445	7,703

	000's	**000's**
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	221,305	226,733
Weighted average number of stapled securities - diluted	239,603	248,018

Note 5: Earnings per stapled security (continued)

Dilution

On 2 October 2013, 21,970,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plan (ESP), of these securities 3,600,000 were bought back and cancelled during the year ended 30 June 2016.The remaining 18,370,000 ESP securities vested on 2 October 2016. Except for 1,020,000 ESP securities for which the related ESP loan was repaid during the period, the remaining ESP securities are not included in the calculation of basic securities on issue due to the non-recourse nature of the associated ESP loans.

Further information on the ESP is provided in Note 12.

Note 6: 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 2016 $'000	31 December 2015 $'000
Profit before tax attributable to stapled securityholders	73,976	8,403
Income tax expense at the corporate rate of 30%	22,193	2,521
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	1,133	(2,097)
Accounting profit on sale of subsidiary	(23,286)	-
Capital gain on disposal of subsidiary	24,297	-
Capital gain on disposal of investment	421	-
Transaction costs adjustment	219	-
Equity accounted investment profits	(439)	(33)
Employee Security Plan interest income taxable	174	195
Security based payments expense non-tax deductible	1	104
Tax deferred distribution income	(91)	10
Other tax adjustments	91	-
Income tax expense	24,712	700
Adjustment for current tax of prior periods	(241)	-
Utilisation of prior year capital losses previously not brought to account	(3,940)	-
Income tax expense recognised in the statement of profit or loss	**20,531**	700

Note 7: Receivables

	Note	31 December 2016 $'000	30 June 2016 $'000
Current			
Trade receivables		-	645
Receivable from Centuria	15	184,313	-
Distributions receivable		2,899	2,806
Other receivables		-	542
Total current		**187,212**	3,993
Non-current			
Receivable from Centuria	15	50,000	-
Total non-current		**50,000**	-
Total		**237,212**	3,993

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

	31 December 2016 $'000	30 June 2016 $'000
Non-current		
Units in unlisted funds subject to put and call option	58,930	-
Units in unlisted funds managed externally	4,580	-
Units in listed funds managed by Group subsidiaries	-	146,806
Total	**63,510**	146,806

The Group holds investments in the following managed investment schemes:

	31 December 2016 %	30 June 2016 %	31 December 2016 $'000	30 June 2016 $'000
Non-current				
Unlisted investments subject to put and call option				
360 Capital 111 St Georges Terrace Property Trust	42.3	-	30,544	-
360 Capital 441 Murray Street Property Trust	35.7	-	3,784	-
360 Capital Havelock House Property Trust	38.8	39.3	5,038	-
360 Capital Retail Fund No.1	50.0	-	19,563	-
Unlisted funds managed externally				
360 Capital Retail Fund No.1	16.4	-	4,580	-
Listed funds				
360 Capital Industrial Fund	-	15.6	-	90,828
360 Capital Office Fund	-	28.8	-	47,411
360 Capital Total Return Fund	24.29	24.29	-	8,567
Total			**63,510**	146,806

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

As a result of the Transaction detailed in Note 15, the unlisted investments subject to the put and call option are classified as non-current and are carried at their respective exercise price under the option. The Group will retain approximately 7.0 million units in 360 Capital Retail Fund No. 1 and will work together with Centuria to sell this stake down over the option period.

Following the completion of the Transaction, the 360 Capital Retail Fund No.1, 360 Capital 111 St Georges Terrace Property Trust, 360 Capital 441 Murray St Property Trust, and 360 Capital Havelock House Property Trust are no longer consolidated into results of the Group and at balance date due to the loss of control. The Group's investment in these funds is classified as financial assets at fair value through the profit or loss. For further information refer Note 15 and Note 16.

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*.

The Group's investment in 360 Capital Total Return Fund was reclassified to an equity accounted investment during the period.

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

	31 December 2016 $'000	**30 June 2016 $'000**
Balance at 1 July	146,806	117,421
Financial assets recognised through deconsolidation	64,053	-
Financial assets acquired - other	-	19,879
Financial assets disposed - listed	(130,522)	-
Reclassified to equity accounted investment	(8,566)	-
Financial assets disposed	-	(899)
Financial assets consolidated into financial statements	-	(4,012)
Fair value adjustment of financial assets	(8,498)	14,417
Other movements	237	-
Closing balance	**63,510**	146,806

The fair value adjustment of financial assets includes a $0.5 million loss on deconsolidation of the managed funds, refer Note 16.

Note 9: Assets held for sale

	31 December 2016 $'000	**30 June 2016 $'000**
Investment property		
Subiaco Square Shopping Centre, Perth WA	-	38,350
	-	38,350

On 30 November 2016, the Group settled the sale of Subiaco Square Shopping Centre, Perth WA for a gross sale price of $38.4 million. The net assets were distributed and units in the trust were subsequently redeemed and the trust is in the process of being wound up.

Note 10: Investment properties

	Date of acquisition	Book value 31 December 2016 $'000	Book value 30 June 2016 $'000	Capitalisation rate 31 December 2016 %	Capitalisation rate 30 June 2016 %	Discount rate 31 December 2016 %	Discount rate 30 June 2016 %	Last external valuation	Valuation $'000
111 St George's Terrace, Perth WA	Oct-13	-	140,100	-	8.00	-	8.75	Dec-15	139,000
441 Murray Street, Perth WA	Oct-13	-	22,000	-	8.25	-	9.25	Oct-15	22,000
City Centre Plaza, Rockhampton	Jun-15	-	50,000	-	7.00	-	8.00	Jun-16	50,000
Windsor Marketplace	Jun-15	-	21,400	-	6.75	-	7.50	Jun-16	21,400
Havelock House, West Perth WA	May-16	-	25,200	-	7.50	-	8.80	Jun-15	24,800
Investment properties		-	258,700						
Less: lease income receivable and incentives		-	(8,008)						
		-	250,692						

As a consequence of the Transaction, the 360 Capital Retail Fund No.1, 360 Capital 111 St Georges Terrace Property Trust, 360 Capital 441 Murray St Property Trust, and 360 Capital Havelock House Property Trust are no longer consolidated into results of the Group and at balance date. For further information refer Note 15 and Note 16.

Note 10: Investment properties (continued)

	31 December 2016 $'000	30 June 2016 $'000
Balance at 1 July	258,700	271,800
Additions to investment properties	1,863	1,325
Investment properties deconsolidated from financial statements	(261,550)	-
Investment properties consolidated into financial statements	-	24,900
Reclassification to assets held for sale	-	(38,350)
Straight-lining of lease revenue and incentives	(208)	(115)
Fair value adjustment of investment properties	1,195	(860)
Closing balance	-	258,700

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.

Note 11: Borrowings

	31 December 2016 $'000	30 June 2016 $'000
Current		
Borrowings - secured	-	10,841
Borrowings - unsecured	78,000	-
	78,000	10,841
Non-current		
Borrowings - secured	-	130,922
Borrowings - unsecured	-	78,229
Capitalised borrowing costs	-	(1,893)
	-	207,258
Borrowings - secured		
Total facility limit	75,000	229,629
Used at end of reporting date	75,000	(219,992)
Unused at end of reporting date	-	9,637

a) Loan facilities summary

Secured borrowings

As a consequence of the Transaction, the 360 Capital Retail Fund No.1, 360 Capital 111 St Georges Terrace Property Trust, 360 Capital 441 Murray St Property Trust, and 360 Capital Havelock House Property Trust are no longer consolidated into results of the Group therefore the trusts secured borrowings are no longer included in the Group's statement of financial position as at the balance date.

Unsecured note issue

In September 2014, the Group raised $75.0 million through the issue of five year, 6.9% per annum fixed rate unsecured notes. On 15 December 2016, the noteholders voted to allow the Group the option to repay early all the Notes on issue as part of the Transaction. On 10 January 2017, the Notes were repaid at a redemption price of 104.0% on the outstanding principal amount of each note. At balance date the Notes were classified as a current liability and carried at their redemption value of $78.0 million, including the early redemption premium, as the obligation to repay the Notes existed based on completion of the Transaction.

Note 12: Equity

(a) Issued capital

	31 December 2016 000's	30 June 2016 000's
360 Capital Group Limited - Ordinary shares issued	222,253	221,233
360 Capital Investment Trust - Ordinary units issued	239,603	221,233

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	6,566	6,488
360 Capital Investment Trust - Ordinary units issued	163,119	162,595
Total issued capital	**169,685**	169,083

(b) Movements in issued capital

Under Australian Accounting Standards securities issued under the 360 Capital Group Employee Security Plan ("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 2016 000's	30 June 2016 000's
Total ordinary securities disclosed 1 July	222,253	226,733
Issued capital - Employee security plan 1 July	18,370	21,970
Employee securities - non-recourse loan repaid during the period	(1,020)	-
Employee securities bought back on-market and cancelled during the year	-	(3,600)
Securities bought back on-market and cancelled during the year	-	(5,500)
Total securities issued on the ASX	239,603	239,603

	$'000	$'000
Opening balance	169,083	175,201
Employee securities - non-recourse loan repaid during the period	602	-
Employee securities bought back on-market and cancelled during the year	-	(6,118)
Closing balance	**169,685**	169,083

(c) Employee Security Plan

On 2 October 2013, 21,970,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plan (ESP), of these securities 3,600,000 were bought back and cancelled during the year ended 30 June 2016. The remaining 18,370,000 ESP securities vested on 2 October 2016. Except for 1,020,000 ESP securities for which the related ESP loan of $0.5 million was repaid during the period, the remaining ESP securities will not be included in the calculation of basic securities due to the non-recourse nature of the ESP loans.

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: Equity (continued)

(d) Security buy-back

Post balance date, on 2 February 2017, the 360 Capital Group activated its on market buy back, as approved by securityholders on 28 November 2016, acquiring and subsequently cancelling 25.0 million securities at a price of 90 cents per security.

Note 13: Other financial assets and liabilities

Fair values
Set out below is a comparison of the carrying amount and fair value of non-current borrowings as at 31 December 2016:

	Carrying amount		**Fair value**	
	31 December 2016 $'000	**30 June 2016 $'000**	**31 December 2016 $'000**	**30 June 2016 $'000**
Financial liabilities				
Borrowings	78,000	207,258	78,000	209,151
Derivative financial instruments	-	2,190	-	2,190
Total financial liabilities	**78,000**	209,448	**78,000**	211,341

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.

Note 13: Other financial assets and liabilities (continued)

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

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 31 December 2016:				
Financial assets				
Financial assets at fair value through profit or loss	**63,510**	58,930	-	4,580
Financial liabilities				
Derivative financial instruments	-	-	-	-
As at 30 June 2016:				
Financial assets				
Financial assets at fair value through profit or loss	146,806	146,806	-	-
Financial liabilities				
Derivative financial instruments	2,190	-	2,190	-

During the period the unlisted investments subject to the put and call agreement under the Transaction have been transferred from level 3 to level 1 as their carrying value is based on an agreed price under a contract. 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, with the exception of unlisted investments held under a put and call agreement, which are valued at the contract price and are categorised as Level 1. 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 10). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates and discount rates. 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.

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.

Note 13: Other financial assets and liabilities (continued)

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 14: Intangible assets

Cost	**31 December 2016 $'000**	**30 June 2016 $'000**
Opening balance at 1 July	13,879	5,000
Management right - indefinite useful life	-	8,879
Sale of management rights	(13,879)	-
Closing balance	-	13,879
Net book value	-	13,879

Management rights were held in relation to property funds and were acquired following the acquisition of 360 Capital Property Group in the 2014 financial year and the acquisition of management rights relating to ANI in the 2016 financial year. Management rights were sold to Centuria as part of the Transaction on 30 December 2016. For further information refer to Note 15

Note 15: Divestment of subsidiary and investments

Summary of divestment transaction
On the effective date ("Disposal date") of 30 December 2016, the Group completed a transaction to sell the majority of its funds management platform and co-investment stakes in its listed and unlisted funds to Centuria Capital Group (Centuria)(ASX code: CNI) and associates for $290.7 million. This involved the sale of 360 Capital Investment Management Limited (CIML) a wholly owned subsidiary and the disposal of the Group's holdings in TIX and TOF, together with entering into a put and call option over the majority of its remaining stakes in the unlisted funds (the Transaction). The Transaction was subsequently settled on 9 January 2017. Following settlement, the Trust repaid all outstanding Notes under its $75.0 million fixed rate note issue. At balance date the Group also has investments in unlisted funds of $58.9 million subject to a put and call agreement with Centuria.

By the Disposal date, substantially all material conditions to the Transaction had been satisfied with the only actions to occur between 30 December 2016 and settlement on 9 January 2017 being procedural in nature. Conditions precedent to the transaction which had been completed at the Disposal date included; 360 Capital Group securityholder approval of a change in the Trust's responsible entity, which was approved at a meeting on 23 December 2016, TOF unitholder approval of the sale of the Group's 28.8% co-investment in TOF to Centuria entities which was approved at a meeting to be held on 30 December 2016 and Noteholder approval to the change or responsible entity of the Trust and early redemption of the Notes with approval received at a meeting of noteholders on 15 December 2016.

The Group incurred transaction costs of $4.9 million during the period including legal, advisory and consulting fees, staff termination cost and deal bonuses.

Details of the consideration received and impact on the balance sheet are outlined below:

On 30 December 2016, the Group recognised a receivable representing the consideration receivable from Centuria and associates for the sale of CIML and the disposal of the Groups' investments in TIX and TOF. Subsequent to balance date, settlement occurred on 9 January 2017 and the receivable was satisfied by receipt of cash consideration together with a $50.0 million vendor loan advanced to Centuria.

Note 15: Divestment of subsidiary and investments (continued)

	Note	31 Dec 2016 $'000
Receivable share sale agreement		103,791
Receivable unit sale agreement		130,522
Receivable from Centuria	7	234,313

Net assets divested:

	31 Dec 2016 $'000
360 Capital Industrial Fund	83,031
360 Capital Office Fund	47,491
Net assets of CIML	12,291
Management rights	13,879
Carrying value of assets divested	156,692
Receivable from Centuria	234,313
Net gain on disposal recognised at balance date	77,621

Consideration received post balance date:

	$'000
Cash consideration	234,313
Vendor loan advanced to Centuria	(50,000)
Repayment– unsecured note issue (principal and interest)	(79,584)
Net cash received at settlement	104,729

Vendor loan

At settlement, the Group provided a $50.0 million vendor loan to Centuria for a term of up to 18 months at an interest rate of 5.0% p.a. paid monthly in arrears. This loan is secured by first (and only) ranking security over Centuria's co-investment in TIX.

Put and call agreement unlisted investments

The Transaction included a put and call agreement over the majority of the co-investment stakes in the unlisted funds. The table below details the investments that are now classified as non-current and subject to the put and call option, and are carried at their respective exercise price under the option. Under the put and call agreement, Centuria can call the unlisted co-investments on settlement of the units at any time over the next two years and the Group can put the unlisted co-investments to Centuria after two years. Centuria has guaranteed a 7.50% p.a. income return (paid monthly) to the Group on these unlisted trust and fund co-investments until such time as the option is exercised and settled.

The Group will retain approximately 7.0 million units in 360 Capital Retail Fund No. 1 and will work together with Centuria to sell this stake down over the option period.

Note 15: Divestment of subsidiary and investments (continued)

	31 Dec 2016 $'000
Non-current	
360 Capital St George's Terrace Property Trust	30,545
360 Capital Havelock House Property Trust	5,038
360 Capital 441 Murray Street Property Trust	3,784
361 Capital Retail Fund No.1	19,564
	58,931

Repayment of notes

At a meeting of Noteholders held on 15 December 2016, Noteholders voted to approve an early redemption option to allow the Group to repay all of the outstanding $75.0 million 6.90% fixed rate notes issue due 19 September 2019 (Notes). The approval was granted on the basis that the Group would pay Noteholders a redemption price of 104.0% on the outstanding principal amount of each note. On 10 January 2017, subsequent to settlement of the Transaction, Notes were repaid and redeemed for a total amount $78.0 million together with accrued interest up to the date of redemption. The Notes were carried at their redemption value of $78.0 million, including the early redemption premium, at balance date as the obligation to repay the Notes existed based on completion of the Transaction.

Note 16: Controlled entities

Deconsolidation

On 30 December 2016, the Group completed the Transaction to sell the majority of its fund management platform and co-investment stakes in its listed and unlisted funds, refer to Note 15 for more information. As a result of arrangements associated with the completion of the Transaction, the Group lost control of the managed funds on the disposal date, 30 December 2016. The deconsolidation of the managed finds resulted in a loss on deconsolidation of $0.5 million, for further information refer to Note 8.

Note 16: Controlled entities (continued)

360 Capital 111 St Georges Terrace Property Trust

As a result of the Transaction, the Group's co-investment stake in 360 Capital 111 St Georges Terrace Property Trust is held under a put and call agreement and does not meet the requirements for control at the balance date. Accordingly the fund has been deconsolidated from the consolidated entity's results as at 31 December 2016.

The impact of the deconsolidation is detailed in the table below:

	31 Dec 2016 $'000
Carrying value of investment	30,545
Net assets disposed through deconsolidation	30,624
	(79)
Assets	
Cash and cash equivalents	4,599
Receivables	855
Investment properties	142,000
Liabilities	
Trade and other payables	(4,439)
Borrowings	(70,522)
Derivative financial instruments	(117)
Net identifiable assets disposed including NCI	72,376
Less: External non-controlling interest	(41,752)
Net identifiable assets disposed excluding NCI	30,624
Loss on deconsolidation	(79)
Total deconsolidation consideration	30,545

Note 16: Controlled entities (continued)

360 Capital Havelock House Property Trust

As a result of the Transaction, the Group's co-investment stake in 360 Capital Havelock House Property Trust is held under a put and call agreement and does not meet the requirements for control at the balance date. Accordingly the fund has been deconsolidated from the consolidated entity's results as at 31 December 2016.

The impact of the deconsolidation is detailed in the table below:

	31 Dec 2016 $'000
Carrying value of investment	5,038
Net assets disposed through deconsolidation	5,317
	(279)
Assets	
Cash and cash equivalents	203
Receivables	108
Investment properties	26,150
Liabilities	
Trade and other payables	(778)
Borrowings	(11,979)
Derivative financial instruments	(18)
Net identifiable assets disposed including NCI	13,686
Less: External non-controlling interest	(8,369)
Net identifiable assets disposed excluding NCI	5,317
Loss on deconsolidation	(279)
Total deconsolidation consideration	5,038

Note 16: Controlled entities (continued)

360 Capital 441 Murray Street Property Trust

As a result of the Transaction, the Group's co-investment stake in 360 Capital 441 Murray Street Property Trust is held under a put and call agreement and does not meet the requirements for control at the balance date. Accordingly the fund has been deconsolidated from the consolidated entity's results as at 31 December 2016.

The impact of the deconsolidation is detailed in the table below

	31 Dec 2016 $'000
Carrying value of investment	3,784
Net assets disposed through deconsolidation	4,295
	(511)
Assets	
Cash and cash equivalents	1,542
Receivables	141
Investment properties	22,000
Liabilities	
Trade and other payables	(805)
Borrowings	(10,831)
Derivative financial instruments	-
Net identifiable assets disposed including NCI	12,047
Less: External non-controlling interest	(7,753)
Net identifiable assets disposed excluding NCI	4,294
Loss on deconsolidation	(511)
Total deconsolidation consideration	3,784

Note 16: Controlled entities (continued)

360 Capital Retail Fund No.1

As a result of the Transaction, the majority of the Group's co-investment stake in 360 Capital Retail Fund No.1 is held under a put and call agreement and does not meet the requirements for control at the balance date. Accordingly the fund has been deconsolidated from the consolidated entity's results as at 31 December 2016.

The impact of the deconsolidation is detailed in the table below:

	31 December 2016 $'000
Carrying value of investment	24,143
Net assets disposed through deconsolidation	23,815
Gain on deconsolidation	**328**
Assets	
Cash and cash equivalents	593
Receivables	530
Investment properties	71,400
Liabilities	
Trade and other payables	(846)
Borrowings	(35,163)
Derivative financial instruments	(636)
Net identifiable assets disposed including NCI	**35,877**
Less: External non-controlling interest	(12,062)
Net identifiable assets disposed excluding NCI	**23,815**
Gain on deconsolidation	328
Carrying value	**24,143**

Note 17: Related party transactions

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

Change in Responsible Entity for 360 Capital Investment Trust
On 23 December 2016, securityholders of the Stapled Group passed a resolution to change the Responsible Entity from 360 Capital Investment Management Limited to 360 Capital FM Limited associated with the Company's sale of its fund management platform to Centuria. The change in Responsible Entity was effective from 9 January 2017.

There have been no other significant changes to the type or nature of related party transactions compared to those disclosed in the last Annual report at 30 June 2016. All other transactions with related parties are conducted on normal commercial terms and conditions.

The following significant transactions occurred with related parties during the previous 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.

Note 18: Events subsequent to balance date

On the Disposal date of 30 December 2016, the Group completed a transaction to sell the majority of its funds management platform and co-investment stakes in its listed and unlisted funds to Centuria and associates. This involved the sale of the Group's holdings in TIX and TOF, together with entering into a put and call option over the majority of its remaining stakes in the unlisted funds. Settlement of the Transaction occurred on 9 January 2017 which included payment of consideration for the consolidated entities investments in TIX and TOF, provision of a $50.0 million loan to a wholly owned subsidiary of Centuria. On the 10 January 2017, part of the proceeds from the Transaction were used to repay noteholder's of the Trusts $75.0 million fixed rate note issue.

On 2 February 2017, the 360 Capital Group activated its on market buy back, as approved by securityholders on 28 November 2016, acquiring and subsequently cancelling 25.0 million securities at a price of 90 cents per security.

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

360 Capital Group

Directors' declaration

For the half year ended 31 December 2016

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 38 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 2016 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
23 February 2017

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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 "Company") which comprises the consolidated statement of financial position as at 31 December 2016, 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 Company 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 Company 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 Company's financial position as at 31 December 2016 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 2016 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

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
23 February 2017