ASX Release | Appendix 4E

360 Capital Group

For the year ended 30 June 2017

Comprises the stapling of 360 Capital Group Limited (ABN 18 113 569 136) and 360 Capital Investment Trust (ARSN 104 552 598)

This Preliminary Financial Report is given to the ASX in accordance with Listing Rule 4.3A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2017. It is also recommended that the Annual 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 Financial Report. The Annual Report for the year ended 30 June 2017 is attached and forms part of this Appendix 4E.

Details of reporting period:

Current reporting period: 1 July 2016 – 30 June 2017

Prior corresponding period: 1 July 2015– 30 June 2016

Results announcement to the market:

	30 Jun 2017 $'000	30 Jun 2016 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	113,654	64,450	49,204	76.3
Profit attributable to stapled securityholders for the year	63,580	24,074	39,506	164.1
Operating profit [1]	13,243	15,963	(2,720)	(17.0)

[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 items and significant items. The Directors consider operating profit to reflect the core earnings of the Group. Operating earnings 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 3 of the Financial Report.

	30 Jun 2017 Cents per security	30 Jun 2016 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic	29.5	10.6	18.9	178.3
Earnings per security – Diluted	27.7	9.8	17.9	182.7
Operating profit per security	6.1	7.0	(0.9)	(12.9)

Level 8, 56 Pitt Street Sydney NSW 2000 | Sydney NSW 2001 Australia
T +61 2 8405 8860 | Fax +61 2 9238 0354 | E investor.relations@360capital.com.au | W www.360capital.com.au

360 Capital Group

For the year ended 30 June 2017

Comprises the stapling of 360 Capital Group Limited (ABN 18 113 569 136) and 360 Capital Investment Trust (ARSN 104 552 598)

Distributions:

	Cents per security	Total amount paid $'000	Date of payment
September quarter distribution	1.625	3,893	28 Oct 2016
December quarter distribution	1.625	3,894	25 Jan 2017
March quarter distribution	1.625	3,893	27 Apr 2017
June quarter distribution	1.625	3,894	27 Jul 2017
Total distribution for the year ended 30 June 2017	**6.500**	**15,574**	
September quarter distribution	1.5625	3,867	26 Oct 2015
December quarter distribution	1.5625	3,867	28 Jan 2016
March quarter distribution	1.5625	3,830	29 Apr 2016
June quarter distribution	1.5625	3,744	27 Jul 2016
Total distribution for the year ended 30 June 2016	**6.2500**	**15,308**	

Net tangible asset per security:

	30 Jun 2017 $	30 Jun 2016 $
NTA per security [2]	0.95	0.68

[2] The number of securities on issue on the Australian Stock Exchange (ASX) at 30 June 2017 is 214.6 million (June 2016: 239.6 million). For calculation of NTA diluted per security, the securities on issue per the ASX are used and Net Tangible Assets are adjusted for the value of the ESP loans receivable. For financial reporting the number of securities is reduced to 207.2 million (June 2016: 221.2 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 32 of the Financial Report.

Level 8, 56 Pitt Street Sydney NSW 2000 | Sydney NSW 2001 Australia
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360 Capital
Group

Annual Report
FOR THE YEAR ENDED 30 JUNE 2017

360 CAPITAL GROUP

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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The Directors of 360 Capital Group Limited (Company) present their report, together with the annual financial report of 360 Capital Group (Group) (ASX code: TGP) for the year ended 30 June 2017. 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 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 Group's principal activities continue to be focused on the following two core business segments of real estate funds management and investment:

- Funds management – utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
- Investment – equity and debt investments in real estate including co-investment in managed funds, providing income through distributions and finance revenue and potential capital growth in equity values

On 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 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).

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of the 360 Capital Group for the year ended 30 June 2017 was $63.6 million (2016: $24.1 million). The operating profit (profit before specific non-cash and significant items) was $13.2 million (2016: $16.0 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.

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 3 of the accompanying financial statements for the year ended 30 June 2017, which have been subject to audit, refer to page 94 for the auditor's report on the financial statements.

	Total core 30 June 2017 $'000	Total core 30 June 2016 $'000
Profit after tax attributable to stapled securityholders of 360 Capital Group	**63,580**	**24,074**
Specific non-cash items		
Net loss/(gain) on fair value of financial assets	2,860	(11,588)
Net gain on disposal of financial assets	-	(750)
Net (gain)/loss on fair value of derivative financial instruments	(229)	1,607
Security based payment expense	-	624
Share of profits equity accounted investments, net of distributions received	(1,203)	(162)
Other Items	-	301
Significant items		
Rent receivable adjustment	-	1,260
Net loss on disposal of investment properties	-	279
Net gain on disposal of subsidiary	(77,621)	-
Transaction costs	5,677	-
Write-off deferred borrowing costs	1,195	-
Acquisition and underwrite fees recognised	1,954	283
Tax effect		
Tax effect of non-cash and significant item adjustments	17,030	35
Operating profit (profit before specific non-cash and significant items)	**13,243**	**15,963**

The key financial highlights for the year ended 30 June 2017 include:

- Statutory net profit attributable to stapled securityholders of $63.6 million (2016: $24.1 million)
- Operating profit of $13.2 million (2016: $16.0 million)
- Statutory Earnings per Security (EPS) of 29.5 cps (2016: 10.6 cps)
- Operating diluted EPS[1] of 6.1 cps (2016: 7.0 cps)
- Distributions per Security (DPS) increased 4.0% to 6.50 cps (2016: 6.25 cps)
- Security trading price of $0.97 per security (June 2016: $0.96)
- Net Tangible Asset value (NTA) diluted[2] per Security increased 39.8% to 94.8 cps (2016: 67.8 cps)

[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.
[2] Net Tangible Asset value diluted per Security calculation uses Net Tangible Assets adjusted for the value of the ESP loans receivable (not recognised for accounting purposes) divided by total securities on issue per the ASX, including ESP securities.

Operating and financial review (continued)

The key operating achievements for the year ended 30 June 2017 include:

- 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
- Sale of Subiaco Square Shopping Centre for $38.4 million, returning to the Group $9.4 million in cash plus exit fees
- Repaid all the Group's $75.0 million fixed rate note issue on 10 January 2017 with the Group now debt free
- Bought back on-market 25 million 360 Capital Group securities, representing 10.4% of issued capital
- Settled the repayment of the $50.0 million vendor loan to Centuria in April 2017, 15 months prior to expiry
- Disposal $5.2 million, as part of the unlisted co-investment stakes with Centuria
- Acquired 19.9% stake in Asia Pacific Data Centre Group (ASX code: AJD)
- Launched Australian Mezzanine Finance Pty Limited to progress building non-bank real estate financing in partnership with 360 Capital Total Return Fund (ASX code: TOT)

Summary of divestment transaction

On 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.

Since the settlement of the Transaction, the Group has also settled the repayment of the $50.0 million vendor loan to Centuria in April 2017, 15 months prior to expiry. The Group also settled the disposal some of the unlisted co-investment stakes with Centuria, including the Centuria 441 Murray Street Property Trust (formerly known as 360 Capital 441 Murray Street Property Trust) for $3.8 million and part of Centuria Havelock House Trust stake (formerly 360 Capital Havelock House Property Trust) for $1.4 million, leaving a remaining balance of $53.7 million subject to the call option expected to be exercised over the next 18 months.

Financial results summary

Statutory results

The Group's statutory net profit attributable to securityholders for the year ended 30 June 2017 was $63.6 million, reflecting a 164.1% increase from $24.1 million for the prior year. The significant increase in statutory net profit was primarily due to the disposal of CIML associated with the sale of the Group's funds management platform realising a gain of $77.6 million (before costs), and contributing to an associated income tax expense of $18.3 million for the year.

The Group's statutory balance sheet as at 30 June 2017 was impacted by managed fund 360 Capital Subiaco Square Shopping Centre Property Trust's disposal of its investment property and the 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 repaid $78.0 million of borrowings following settlement of the Transaction relating to its unsecured note issue which was required to be repaid and redeemed as a consequence of the Transaction.

The Group's net assets attributable to securityholders increased by $33.6 million to $199.1 million, primarily due to the profit from completion of the Transaction during the year offset by the $25 million on-market buy back in February 2017.

Operating and financial review (continued)

Operating results

The operating profit for the year ended 30 June 2017 was $13.2 million, equating to an operating diluted EPS of 6.1 cps (2016: 7.0 cps). The result reflects a reduction in net profit due to the completion of the Transaction in December 2016, offset by the recognition of the remaining acquisition and underwrite fees on the 360 Capital Retail Fund No.1 of $1.9 million during the year. Operating expenses decreased by 31.4% from the prior year to $4.2 million resulting from rationalisation of the business and the delivery of operating efficiencies.

Capital management

As at 30 June 2017, the Group had approximately of $97.2 million in cash, its investment stakes in the Centuria unlisted trusts and funds, subject to a call option, of $53.7 million and listed investments of $64.0 million, including its 23.7% co-investment stake in 360 Capital Total Return Fund valued at $19.1 million, 19.9% stake in Asia Pacific Data Centre Group of $40.2 million and 1.3% stake in Industria REIT (ASX code: IDR) of $4.7 million. Post balance date, the Group sold its stake in IDR for $4.8 million.

Centuria exercised a total of $5.2 million in call option units during the year. The balance of these unlisted investments under put and call options, totalling $53.7 million, are expected to be exercised over the next 18 months.

The Group has also fully repaid and redeemed its $75.0 million unsecured note issue in January 2017 and is now debt free.

On 2 February 2017, the Group purchased 25.0 million securities via an on-market buyback at an average price of $0.90 per security, funded from existing cash reserves. Post the buyback, the number of securities on issue was reduced to approximately 214.6 million. Post balance date, on 2 August 2017, the Group issued 11.3 million securities at $0.98 per security as part of the Employee Share Plan (ESP), increasing the number of securities on issue to approximately 225.9 million.

Proposed Capital Reconstruction

The Group proposes to undertake a capital reconstruction during FY18, subject to securityholder approval. This reconstruction is necessary in order to re-balance capital between the Trust and the Company to provide the Trust with the necessary capital base to carry out its business of making property-related debt and equity investments.

To effect this capital reconstruction, it is proposed that the Company pay a fully franked special dividend, expected to be approximately $0.20 per security, to securityholders who will be required to contribute those dividend proceeds as capital to the Trust.

The capital reconstruction is subject to receiving an appropriate class ruling from the ATO. The securityholder meeting seeking approval for this reconstruction will be held after the tax ruling is received.

Partnering with public capital

The Group, given the significant level of cash post settlement of the Transaction, is focused on sponsoring transactions and growing TOT's asset base and make the fund more relevant.

During the past 6 months, TOT raised $40.6 million comprising a $5.3 million institutional placement and $35.3 million entitlement offer. These funds were used to increase TOT's stake in Industria REIT to 16.9% and provide capital to enable TOT to undertake its strategy of non-bank financing.

The Group continued to maintain a meaningful ownership of TOT by taking up its entitlement and also supporting TOT on market. The Group currently has a 23.7% interest in TOT valued at $19.1 million as at 30 June 2017. Post balance date, the fund took advantage of the trading price of its IDR investment and sold its entire stake for $63.4 million generating a total return of 18.3% per annum for unitholders.

The fund has a broad investment strategy allowing it 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. The Group's target, subject to finding appropriate opportunities, is to increase the equity base of the fund to $200 million over the next 2 years.

Private Capital – Partnerships and Platform Creation

The Group established the 360 Capital 2017 Private Equity Real Estate Fund in April 2017 in partnership with TOT. The initial investment in this fund was TOT's interest in IDR. A number of private equity groups showed interest in this opportunity. However as the price of IDR increased, it became evident that a sale of the stake was the most prudent strategy.

In May 2017, the Group purchased a 19.9% strategic stake in Asia Pacific Data Centre Group (ASX: code AJD) for $36.0 million. The Group is attracted to data centre ownership due to the strategic nature of the asset class underpinned by increasing data usage and the resulting strong demand for data storage.

Following several approaches to partner in this sector, post reporting date, the Group announced a proposal to purchase the remaining securities it did not own in AJD for $1.80 per security. Subsequent to the Group making a proposal to AJD securityholders, Next DC Limited has made an unconditional offer at $1.87 per security after a buying 19.9% stake. The Group has completed a significant part its due diligence, however due to material information in relation the portfolio and AJD's financing arrangements only having been just received from AJD, its enquiries are still ongoing.

The Group is considering a number of different strategies in respect of its stake in AJD, including:

1. Increasing the price on its current proposal and remove all conditions
2. Selling its stake to other global data centre operators/investors who recognise the strategic qualities of the portfolio
3. Continuing to hold the stake as a strategic investment and look to identify other opportunities for AJD in the data centre space

The Group remains focused on concluding its due diligence on AJD as soon as possible.

Debt Capital – Alternative debt financing and management

The Group, in a joint venture with TOT, has established Australian Mezzanine Finance Pty Limited (AMF) to provide alternative lending and structured financing solutions to Australian real estate investors and developers.

AMF's initial capital for transactions will be provided from TOT and TGP's own capital. As AMF grows its lending activities, the opportunity for non-bank lending will also be made available to 360 Capital's private equity partners.

Due to the Australian banks' increasing capital adequacy requirements, the banks are reducing their exposure to certain sectors of real estate financing, creating an opportunity for non-bank lending on a scalable basis.

AMF has been developing a finance product in partnership with the Australian banks which enables the banks to offer a stretched senior facility to their commercial real estate customers including investors and developers. AMF has now entered into an agreement with a major Australian bank to progress this product development and complete, among other aspects, the legal structuring and, in due course, participate in transactions.

This product, in combination with direct broking of transactions through AMF, will provide TOT and the Group with a pipeline of financing opportunities to be pursued on a selective basis.

Summary and Outlook

The 360 Capital Group will continue its strategy of being a real estate fund manager and 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 year or up to the date of this report (2016: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the year were as follows:

	30 June 2017 \$'000	**30 June 2016 \$'000**
1.5625 cents per stapled security paid on 26 October 2015	-	3,867
1.5625 cents per stapled security paid on 28 January 2016	-	3,867
1.5625 cents per stapled security paid on 29 April 2016	-	3,830
1.5625 cents per stapled security paid on 27 July 2016	-	3,744
1.625 cents per unit paid on 28 October 2016	3,893	-
1.625 cents per unit paid on 25 January 2017	3,894	-
1.625 cents per stapled security paid on 27 April 2017	3,487	-
1.625 cents per stapled security paid on 27 July 2017	3,488	-
	14,762	15,308

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 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.

Information on Directors and Key Management Personnel

Directors

David van Aanholt – Independent Chairman
David has over 25 years of experience in the property and funds management industry. Prior to establishing his own property group in 2007, David was the Chief Executive Officer (Asia Pacific) of the ASX listed Goodman Group (previously known as Macquarie Goodman). In that role David was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. David worked for Goodman for more than a decade and before joining them he was a Fund Manager at Paladin Australia Limited (acquired by Deutsche Bank) and an Associate Director of CDH Properties (acquired by KPMG).

David holds a Bachelor of Business (Land Economy) and a Post Graduate Diploma in Management and a Masters in Business Administration. He is Independent Chairman of the Kennards Self Storage Group and is a Fellow of the Australian Property Institute.

Tony Robert Pitt – Managing Director
Tony is a founding Director of 360 Capital and has worked in the property and property funds management industries for approximately 20 years. Tony is responsible for the performance of 360 Capital's various investments and funds, including the investment analysis, management, acquisitions and disposal and overall Group and investment strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken corporate acquisitions and the ASX listing of 360 Capital Group.

Tony has formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at Jones Lang LaSalle and CB Richard Ellis. Tony graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

William John Ballhausen – Non-Executive Independent Director
John is a financial services professional with over 35 years' experience. He provides services to a number of organisations and is a Responsible Manager for several Australian Financial Services Licencees.

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

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

Graham Ephraim Lenzner – Non-Executive Independent Director
Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the Board of a number of public and private companies. He is currently Chairman of Device Technologies Australia Pty Limited.

Directors (continued)

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

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

Senior Management

Ben James – Chief Investment Officer
Ben James joined 360 Capital in 2010 and is responsible for all fund investment activities within the group. Ben has over 19 years' experience in Real Estate Funds Management and Investment across the office, retail, industrial, hotel and car park sectors. Prior to joining 360 Capital, Ben was the Trust Manager of Mirvac Property Trust, the $4.5 billion investment vehicle of the ASX listed Mirvac Group. He also held positions in property management and investment sales with Colliers International.

Ben holds a Bachelor of Commerce (Land Economy) and is a former Chair of the Property Council of Australia's NSW Capital Markets Committee.

Glenn Butterworth – Chief Financial Officer
Glenn Butterworth was appointed as the 360 Capital Group Chief Financial Officer in December 2013. A key executive within the business, Glenn is responsible for all 360 Capital's financial management activities.

Glenn joined 360 Capital from Mirvac where he has spent 11 years, most recently as Financial Controller of the Mirvac's Investment Division where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience. Prior to Mirvac Glenn held a number of senior finance roles including Financial Controller at McGrath Estate Agents.

Glenn is a Chartered Accountant and holds a Bachelor of Commerce, and commenced his career as an accountant at Deloitte.

Alan Raymond Sutton – Company Secretary (resigned 1 March 2017)
Alan Sutton is an accountant with more than 30 years in financial control and company secretarial practice, the last 12 years in property funds management. Prior to joining the 360 Capital, Alan was the Company Secretary for the Lachlan Property Group including Lachlan REIT Limited. He was Paladin Australia's Financial Controller – Corporate before its merger with Deutsche Asset Management in July 2000.

At Deutsche, he was responsible for all accounting and financial aspects of the Asset Management Property Group, as well as reorganising the property trust accounting team to take on the operations of Deutsche's various property trusts and mandates. Alan was responsible for the Group's company secretarial matters.

Alan is a FCPA, an Associate member of the Chartered Secretaries Australia, a member (FFin) of the Financial Services Institute of Australia (Finsia) and a registered tax agent.

Directors meetings

The number of Board meetings and Directors' attendance at those meetings during the year are set out below:

	Board		Audit Committee		Nominations & Remuneration	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Director						
David van Aanholt	17	17	-	-	-	-
Tony Robert Pitt	17	17	-	-	2	2
William John Ballhausen	17	17	5	5	-	-
Graham Ephraim Lenzner	17	17	5	5	2	2
Andrew Graeme Moffat	17	17	4	5	2	2

Letter from the Chairman of the Remuneration Committee

Dear Securityholders

The past year has seen the delivery of strong financial results, and it has been a successful year for the 360 Capital Group completing 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 and associates for approximately $290.7 million (the Transaction). This transformational transaction enabled the realisation of the underlying fund management value for the Group contributing to a 40% increase in the Groups Net Tangible Assets (NTA) to 95 cents per security.

Since the Group listed in October 2013, the executive team has made a key contribution to the Group achieving Total Securityholder Return (TSR) of 92.4% through driving the growth of the underlying funds management platform and value of co-investment stakes. Consistent with the Group's high conviction approach the Group seized the opportunity during the year to realise the underlying fund management value and initiate a new strategic direction, with the executive team successfully executing the Transaction and providing the Group with the necessary capital to redeploy in the next phase of the businesses future growth.

<u>Remuneration outcomes</u>

Our achievements above are reflected in the remuneration outcomes for this year. Executives were awarded Short-Term Incentives (STI) specifically weighted toward the successful execution of the Transaction. These STI's were considered outside the normal STI program, given the magnitude and transformational nature of the Transaction to the Group. The STI's awards represented an average 64.4% of total executive remuneration for the year compared to the prior 3 years average of 6.9%. STI's have historically represented a low percentage of remuneration particularly during the initial growth phase of the Group following the October 2013 listing.

The sustained long-term performance of the Group was also reflected in the vesting of the Long-Term Incentive (LTI) with 100% of the Employee Share Plan (ESP) award granted in October 2013, vesting based on the Group's absolute TSR result.

<u>Changes to remuneration</u>

The Board regularly reviews our executive remuneration to ensure it continues to drive securityholder value and enables us to attract and retain the talent we need. Given the nature of the transitional phase the Group is currently in and the broader business operating environment, the Board has decided to adopt changes to our remuneration structure to ensure a focus on long-term sustainable returns. The changes are being introduced as outlined below.

FY18 – Long term Incentive Plan

The new ESP approved by security holders in July 2017 reflects 3-year absolute return targets that the Board considers sustainable and prudent in terms of the Board's cautious view of the current position and likely future direction of the property market and broader economic environment.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Yours sincerely

Remuneration Committee Chairman

Remuneration report (audited)

The Remuneration Report for the year ended 30 June 2017 outlines the remuneration arrangements of the 360 Capital Group in accordance with the requirements of the *Corporations Act 2001* and its regulations (the Act). This information has been audited as required by section 308(3C) of the Act.

The 360 Capital Group Board is committed to clear and transparent disclosure of the remuneration structure and details of the value that Key Management Personnel ("KMP") derive from their remuneration arrangements.

The remuneration report is presented under the following sections:

a. Introduction
b. Remuneration governance
c. Executive remuneration arrangements
d. Executive remuneration outcomes
e. Executive contracts
f. Non-executive director remuneration arrangements
g. Additional disclosures relating to options and securities
h. Loans to key management personnel and their related parties
i. Other transactions and balances with key management personnel and their related parties

Remuneration report (continued)

a. Introduction

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

<u>(i) Non-executive directors (NEDs)</u>
David van Aanholt, Independent Chairman
William John Ballhausen, Independent Director
Graham Ephraim Lenzner, Independent Director
Andrew Graeme Moffat, Independent Director

<u>(ii) Executive director</u>
Tony Robert Pitt, Managing Director

<u>(iii) Other KMP</u>
Ben James, Chief Investment Officer
Glenn Butterworth, Chief Financial Officer
Alan Sutton, Company Secretary – resigned 1 March 2017

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

b. Remuneration governance

<u>Remuneration Committee</u>
The Remuneration Committee is appointed by the Board and comprises the following directors:

Andrew Graeme Moffat (Chairman of the Committee)
Graham Ephraim Lenzner
Tony Robert Pitt

The Remuneration Committee has delegated decision making authority for some matters related to the remuneration arrangements for NEDs and executives, and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other executives and all awards made under the short term (STI) and long-term incentive (LTI) plans, following recommendations from the Remuneration Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to securityholder approval, and NED fee levels. The Remuneration Committee approves, having regard to the recommendations made by the Managing Director, the level of the Group STI pool.

The Remuneration Committee meets throughout the year. The Managing Director is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration Committee's role, responsibilities and membership can be viewed at www.360capital.com.au

Remuneration report (continued)

Use of remuneration advisors

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. Remuneration advisors are engaged by, and report directly to, the Committee. In selecting remuneration advisors, the Committee considers potential conflicts of interest and requires independence from the Group's key management personnel and other executives as part of their terms of engagement. No remuneration recommendation was provided by any external advisors during the 2017 financial year.

Remuneration report approval at 2016 Annual General Meeting (AGM)

The remuneration report for the year ended 30 June 2016 received positive securityholder support at the AGM with a vote of 94.9% in favour.

c. Executive remuneration arrangements

Remuneration principles and strategy

360 Capital Group's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and encourage performance which aligns with the business strategy of the Group and long-term interest of securityholders.

Approach to setting remuneration

For the year ended 30 June 2017, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below. The Group aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.

The following table summarises the Managing Director's and other executives' actual remuneration mix.

		Fixed remuneration	STI	LTI
Tony Pitt - Managing Director	**2017**	28.3%	69.4%	2.3%
	2016	67.2%	11.0%	21.9%
Ben James - Chief Investment Officer	**2017**	28.5%	66.0%	5.5%
	2016	56.9%	14.4%	28.7%
Glenn Butterworth - Chief Financial Officer	**2017**	33.5%	64.9%	1.6%
	2016	72.4%	14.0%	13.6%
Alan Sutton - Company Secretary	**2017**	91.6%	4.3%	4.1%
	2016	70.0%	14.1%	15.9%

Remuneration report (continued)

Details of fixed remuneration
Fixed remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Group and individual, and the broader economic environment. Fixed remuneration comprises salary, superannuation and packaged benefits and is commensurate with an individual's responsibilities, performance, qualifications and experience.

Details of short-term incentives
The Group operates an annual STI program that is available to executives and awards a cash bonus subject to the attainment of clearly defined Group performance measures. The Remuneration committee reviews Group performance measures included in the STI program annually.

Actual STI payments awarded to each executive depend on the extent to which specific targets have been met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial measures of performance. Financial and non-financial measures are given equal weighting; however, in any year, one set of measures may be given greater weighting if it specifically relates to the delivery of Group initiatives underpinning the business strategy in that year. Although financial and non-financial measures are given equal weighting, the Group is expected to achieve at least 90% of the Board approved operating EPS target "financial gateway" before any STI will be granted.

The Group performance measures chosen represent the key drivers for the short-term success of the Group and provide a framework for delivering long-term value. The performance measures are consistent across the Managing Director and other executive roles. The performance measures (and their intended objectives) are as follows:

50% weighting to financial measures, comprising;
- Earnings per security: To align performance incentives to the key Group earnings performance measure.
- Total securityholder returns: To align performance incentives to returns to those of Group Securityholders.

50% weighting to non-financial measures, comprising;
- Implementation of key strategic initiatives: To ensure performance incentives are aimed at achieving the Group's strategy any key business objectives.
- Compliance and risk management: To ensure performance measures encourage the maintenance of an effective compliance and risk management culture.

On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determines the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the Managing Director as appropriate.

Remuneration report (continued)

Details of long-term incentives
LTI awards to executives are made under the executive LTI plan and are delivered in the form of securities. The securities will vest over a period of three years subject to meeting performance measures, with limited opportunity to retest.

The Group uses absolute Total Securityholder Return (TSR) as the performance measure for the LTI plan. LTI awards vest if the Group's TSR over a 3 year period achieves the following:

ESP October 2013

Absolute TSR Achieved (% pa)	Proportion of Target Award Vesting
15%	100%
>10% and <15%	Pro Rata Allocation
10%	50%
<10%	0%

ESP August 2017

Absolute TSR Achieved (% pa)	Proportion of Target Award Vesting
12%	100%
>8% and <12%	Pro Rata Allocation
8%	50%
<8%	0%

Absolute TSR was selected as the LTI performance measure for the following reasons:

- TSR ensures an alignment between comparative securityholder return and reward for executives.
- The absolute measure was considered appropriate given the Group was in a transitional phase with the acquisition of the 360 Capital Property Group in October 2013 and again in August 2017 with the sale of the majority of the Group's funds management platform and co-investment stakes. The alternate use of relative TSR is challenging due to identifying a comparable group of ASX listed companies that may be selected that are of similar size, in the same industry sector and that are at similar stages in terms of strategy implementation, thus the comparator group would be unlikely to be comparable which is necessary for there to be TSR outcomes that reflect different management performances rather than other factors.
- No LTI awards vest when the Group's TSR is less than the minimum 10%/8% per annum target for the 2013 and 2017 ESP respectively. Thus, executives are not rewarded where securityholder returns are low or negative.
- Provides clear line of sight for executives.

Termination and change of control provisions
Where a participant ceases employment prior to their award vesting due to resignation or termination for cause, awards will be forfeited. Where a participant ceases employment for any other reason, they may retain a number of unvested awards pro-rated to reflect the participant's period of service during the LTI grant performance period at the absolute discretion of the Board. These unvested awards only vest subject to meeting the relevant LTI performance measures.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate Board discretion.

Remuneration report (continued)

d. Executive remuneration outcomes for 2017

Fixed remuneration
For the year ended 30 June 2017 the fixed remuneration reviews were as follows:

Managing Director and other executives - no change

Group performance and its link to short-term incentives
The Group aims to align executive remuneration to its strategic business objectives and long-term interests of securityholders. The table below measures the Group's financial performance over the last five years as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs.

The financial performance measures driving STI payment outcomes are primarily operating profit per security of the Group and TSR. The Group's TSR for the year ended 30 June 2017 was 8.5% compared to ASX Small Ordinaries Accumulation Index of 5.5% and the S&P/ ASX 300 A-REIT Accumulation Index of 6.6% for the same period. For the year ended 30 June 2017, the performance measure for short term incentives was weighted toward the increase to the Group's underlying NTA position delivered by the successful completion of the strategic Transaction, NTA increased by 40% to 95 cps. The profit on the sale of the Group's management business has driven the increase in statutory profit of 164.1% to $63.6 million for the year.

	2013	2014	2015	2016	2017
Profit attributable to securityholders of the Group ('000)	(6,320)	22,973	24,138	24,074	63,580
Basic EPS (cents)	(7.4)	12.1	10.6	10.6	29.5
Operating diluted EPS (cents)	5.2	6.4	6.4	7.0	6.1
Distributions per security (cents)	6.68	5.00	5.75	6.25	6.50
Distributions (capital return) per security (cents)	0.82	-	-	-	-
Net Tangible Assets (NTA)	0.58	0.61	0.71	67.8	94.8
Security price ($)	0.49	0.79	1.07	0.96	0.97
Increase/(decrease in security price)	(2.7%)	61.9%	36.3%	(10.7%)	0.5%
Total KMP incentives as a percentage of profit for the year (%)	-	2.2%	2.0%	3.2%	4.5%

Remuneration report (continued)

Executives were awarded STIs specifically in recognition of the successful identification, negotiation and execution of the Transaction which was completed during the year. These STIs granted were considered beyond the formal STI program and were primarily weighted to the achievement of the key strategic initiative relating to the Transaction, given the magnitude and transformational nature of the Transaction to the Group. Whilst STIs granted were primarily weighted toward the completion of the strategic initiative, all the formal STI outcomes relating to this program are included in the table below for reference.

As detailed below, the 2017 STI financial gateway together with the majority of key performance measures for the year were satisfied. The only KPI not met during the year was the Operating EPS for the Group which was less than the initial FY17 guidance due to the strategic decision, part way through the year, to sell the majority of the funds management platform and co-investment stakes. The Remuneration Committee recommended that $2.7 million STI awards be paid for the Managing Director and executives for the 2017 year (2016: $290,000). The STI award for the year reflects the executive team's efforts in successfully completing the Transaction.

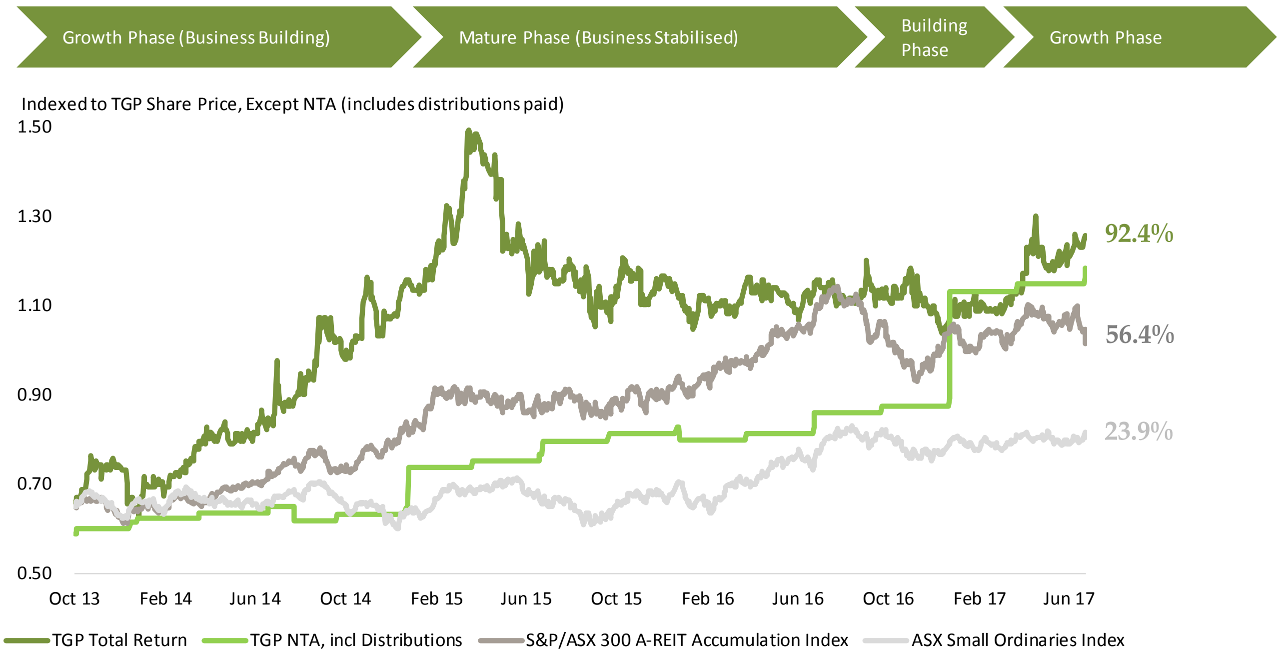
Performance measure	Weighting	Outcome	Action
Financial gateway	90% of Operating EPS target	Achieved	STI available subject to below performance measures
Operating EPS	50%	Achieved Operating EPS of 6.1 cps less than initial low end guidance of 6.8 cps	STI measure not satisfied
TSR for 2017		Total return higher than S&P/ ASX 300 A-REIT and ASX Small Ordinaries Indexes for the year	STI measure satisfied
Implementation of key strategic initiatives	50%	Successfully completion of the Transaction	STI measure satisfied
Compliance and risk management		Maintained a strong compliance and risk management focus across the Group's activities during the year	STI measure satisfied

Long term performance measure

The following chart demonstrates how the Group's TSR (including share price movements and dividends/distributions) has performed relative to the ASX Small Cap Industrials Accumulation Index and the S&P/ ASX 300 A-REIT Accumulation Index since the inception of the plan. Whilst the LTI plan is based on absolute TSR the below graph gives an indication of the relative performance of the Group since the commencement of the October 2013 LTI plan. In October 2016 18,370,000 securities issued under the October 2013 ESP fully vested based on the Group exceeding its absolute TSR target of 15% pa with the Group achieving an annualised TSR of 24.0% over the vesting period.

The Board implemented a new ESP in August 2017 with securities issued on 2 August 2017. The new plan is consistent with the previous ESP which vested in October 2013; however, the target returns have been altered in alignment with the Group's strategic return targets, as outlined above, with the TSR target of 12% pa, over the 3 year vesting period commencing 2 August 2017. The new plan is seen by the Board as appropriate given the current transitional and rebuilding phase the Group has initiated. The return targets reflect the Board view of the current position and likely future direction of the property market and the broader economic environment.

The below chart illustrates the Group's historic outperformance relative to comparable indexes and the phases of the evolution of the Group's business.


Growth Phase (Business Building)
Mature Phase (Business Stabilised)
Building Phase
Growth Phase
Indexed to TGP Share Price, Except NTA (includes distributions paid)
1.50
1.30
1.10
0.90
0.70
0.50
Oct 13
Feb 14
Jun 14
Oct 14
Feb 15
Jun 15
Oct 15
Feb 16
Jun 16
Oct 16
Feb 17
Jun 17
92.4%
56.4%
23.9%
TGP Total Return
TGP NTA, incl Distributions
S&P/ASX 300 A-REIT Accumulation Index
ASX Small Ordinaries Index

Remuneration report (continued)

		Short-term benefits			Post-employment benefits	Security based benefits	Other			
	Year	Salary & fees	Short-term incentive[1]	Non monetary benefits[2]	Super-annuation	Securities under ESP[3]	Long service leave	Termination benefits	Total	Performance related
		$	$	$	$	$	$	$	$	%
Executive Director										
Tony Pitt - Managing Director	**2017**	580,384	1,500,000	12,182	19,616	50,310	-	-	2,162,492	71.7%
	2016	580,692	100,000	13,109	19,308	199,600	-	-	912,709	32.8%
KMP										
Ben James - Chief Investment Officer[4]	**2017**	244,327	600,000	-	14,558	50,310	-	-	909,195	71.5%
	2016	375,453	100,000	-	19,308	199,600	-	-	694,361	43.1%
Glenn Butterworth - Chief Financial Officer	**2017**	290,384	600,000	-	19,616	14,674	-	-	924,674	66.5%
	2016	290,692	60,000	-	19,308	58,217	-	-	428,217	27.6%
Alan Sutton - Company Secretary	**2017**	76,772	9,132	-	7,829	8,553	19,196	88,978	210,460	8.4%
	2016	135,978	30,000	-	13,014	33,932	-	-	212,924	30.0%
Total	**2017**	**1,191,867**	**2,709,132**	**12,182**	**61,618**	**123,847**	**19,196**	**88,978**	**4,206,821**	**67.3%**
	2016	1,382,815	290,000	13,109	70,938	491,349	-	-	2,248,211	34.8%

1. 2017 Short-term incentive amounts relate to deal bonuses paid to executives associated with the successful completion of the Transaction for the Group.

2. Car parking including associated Fringe Benefits Tax.

3. Securities were granted to employees under the 360 Capital Group Employee Security Plan (ESP) on 2 October 2013. The securities were subject to a 3 year Total Securityholder Return hurdle. The fair value of the grants was determined by an independent actuary and has been proportionally disclosed in the remuneration report to reflect the 3 year vesting period. The ESP fully vested on 1 October 2017. Further information on 360 Capital Group Employee Security Plan is provided in Note 25 (c).

4. Ben James has taken 6 months leave without pay from March 2017.

Remuneration report (continued)

e. Executive contracts
Remuneration arrangements for KMP are formalised in employment agreements. The following outlines the details of contracts with key management personnel:

Managing Director
In October 2013, the Group entered into an employment agreement with Mr Tony Pitt ("Employment Agreement"). Under the Employment Agreement, Mr Pitt is employed as Managing Director. Mr Pitt is paid annual fixed remuneration of $600,000 (inclusive of statutory superannuation) and on commencement as Managing Director was issued 6,000,000 securities pursuant to the Employee Security Plan. These securities fully vested in October 2016 a holding lock remains on these securities until such time as the associated loan is repaid.

Mr Pitt's employment agreement does not have a set term and will continue until it is validly terminated in accordance with its terms. The employment contract contains termination provisions pursuant to which the Group must give 12 months' notice of termination (or shorter in a number of circumstances including in the event of serious misconduct, material breach, a serious criminal offence or bankruptcy).

Mr Pitt must provide six months' notice of termination or, in circumstances of a change of control or where there is a material change in the role, responsibilities or other circumstances of Mr Pitt's employment (Change of Circumstance), one month's notice. In addition, in the event of termination for a Change of Circumstance, Mr Pitt is entitled to a payment equal to 12 months' base salary. There are no restraint provisions in the Employment Agreement.

Other KMP
All other KMP have rolling contracts. KMP termination provisions for the Chief Investment Officer are as follows:
- Term of agreement: Open-ended
- Termination notice – Group: 12 months
- Termination notice – Employee: 6 months

KMP termination provisions for the Chief Financial Officer are as follows:
- Term of agreement: Open-ended
- Termination notice – Group: 6 months
- Termination notice – Employee: 3 months

f. Non-executive director remuneration arrangements

Remuneration policy
The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain staff and directors of the highest caliber, whilst incurring a cost that is acceptable to securityholders.

Remuneration report (continued)

The amount of aggregate remuneration sought to be approved by securityholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external consultants when undertaking the annual review process when required.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2005 AGM when securityholders approved an aggregate fee pool of $750,000 per year. The Board will not seek any increase for the NED pool at the 2017 AGM.

Structure

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. No committee fees were paid during the year (2016: Nil). The table below summarises the NED fee entitlements for the year:

Board fees	$	Committee fees	$
Chairman	130,000	Committee chair	9,133
Other NEDs	85,000	Committee member	-

In addition, the NEDs receive superannuation contributions at the Superannuation Guarantee Levy rate.

The remuneration of NEDs for the year ended 30 June 2017 is detailed below:

	Year	Salary & Fees $	Superannuation $	Securities under ESP[1] $	Total $	Performance related %
NED						
David van Aanholt	**2017**	130,000	12,350	839	143,189	0.6%
	2016	130,000	12,350	3,327	145,677	2.3%
William Ballhausen	**2017**	85,000	8,075	839	93,914	0.9%
	2016	85,000	8,075	3,327	96,402	3.5%
Graham Lenzner	**2017**	85,000	8,075	839	93,914	0.9%
	2016	85,000	8,075	3,327	96,402	3.5%
Andrew Moffat	**2017**	85,000	8,075	839	93,914	0.9%
	2016	85,000	8,075	3,327	96,402	3.5%
Total	**2017**	**385,000**	**36,575**	**3,355**	**424,930**	**0.8%**
	2016	385,000	36,575	13,308	434,883	3.1%

1. Securities were granted to employees under the 360 Capital Group Employee Security Plan on 2 October 2013. The securities were subject to a 3 year TSR hurdle, the securities fully vesting on 1 October 2016. The fair value of the grants was determined by an independent actuary and has been proportionally disclosed in the remuneration report to reflect the 3year vesting period. Further information on 360 Capital Group Employee Security Plan is provided in Note 25.

Remuneration report (continued)

g. Additional disclosures relating to options and securities

Securities awarded, vested and lapsed during the year

During the year, there were 15,170,000 securities held by KMP and NEDs that vested in October 2016 (2016: Nil). A holding lock remains on vested securities until such time as the associated loan is repaid.

KMP	Year	Securities awarded during the year No.	Award date	Fair value per security at award date $	Vesting date	Exercise price $	Expiry date	No. vested during year	No. lapsed during year
Tony Pitt	**2017**	-	02/10/13	-	01/10/16	-		6,000,000	-
	2016	-		-		-		-	-
Ben James	**2017**	-	02/10/13	-	01/10/16	-		6,000,000	-
	2016	-		-		-		-	-
Glenn Butterworth	**2017**	-	02/10/13	-	01/10/16	-		1,750,000	-
	2016	-		-		-		-	-
Alan Sutton	**2017**	-	02/10/13	-	01/10/16	-		1,020,000	-
	2016	-		-		-		-	-
NEDs									
David van Aanholt	**2017**	-	02/10/13	-	01/10/16	-		100,000	-
	2016	-		-		-		-	-
William Ballhausen	**2017**	-	02/10/13	-	01/10/16	-		100,000	-
	2016	-		-		-		-	-
Graham Lenzner	**2017**	-	02/10/13	-	01/10/16	-		100,000	-
	2016	-		-		-			-
Andrew Moffat	**2017**	-	02/10/13	-	01/10/16	-		100,000	-
	2016	-		-		-		-	-

Value of 360 Capital Group securities awarded, exercised and lapsed during the year and the prior year

For details on the valuation of securities, including models and assumptions used, please refer to Note 25(c) and Note 31. There were no alterations to the terms and conditions of securities awarded as remuneration since their award date.

Securities held in 360 Capital Group by key management personnel

KMP	Held at 1 July 2016	Granted as remuneration	Acquisition	Disposal/Removal on termination	Held at 30 June 2017
Tony Pitt	53,250,000	-	4,500,000	-	57,750,000
Ben James	6,000,000	-	-	(6,000,000)	-
Glenn Butterworth	1,750,000	-	-	(1,500,000)	250,000
Alan Sutton[1.]	1,020,000	-	-	(1,020,000)	-
	62,020,000	-	4,500,000	(8,520,000)	58,000,000

1. Alan Sutton's securities were removed from disclosed securities only by virtue of his resignation on 1 March 2017.

Remuneration report (continued)

Securities held in 360 Capital Group by non-executive directors

NEDS	Held at 1 July 2016	Granted as remuneration	Acquisition	Disposal	Held at 30 June 2017
David van Aanholt	264,000	-	-	-	264,000
William Ballhausen	400,000	-	-	-	400,000
Graham Lenzner	240,000	-	-	-	240,000
Andrew Moffat	550,000	-	360,000	-	910,000
	1,454,000	-	360,000	-	1,814,000

The table above includes securities held directly, indirectly and beneficially by KMP and NEDs. All equity transactions with KMP and NEDs other than those arising from the Employee Security Plan have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

h. Loans to key management personnel and their related parties

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

KMP	Balance at start of ESP grant $	Interest charged in the year $	Payments made during the year $	Balance at end of the year $	Highest indebtness during the year $
Tony Pitt	3,540,000	390,000	(390,000)	3,540,000	3,540,000
Ben James	3,540,000	195,000	(3,735,000)	-	3,540,000
Glenn Butterworth	1,032,500	56,875	(1,089,375)	-	1,032,500
Alan Sutton	601,800	16,575	(618,375)	-	601,800
	8,714,300	658,450	(5,832,750)	3,540,000	8,714,300

The loan provided on the grant date was equivalent to the face value of the securities. All loans were granted on 2 October 2013. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities. During the year, all KMP except for Tony Pitt repaid their loans to the Group after the securities in the ESP vested on 1 October 2016.

For further information on these loans refer to Note 25.

There were no other loans to key management personnel and their related parties during the year.

i. Other transactions and balances with key management personnel and their related parties

There were no transactions or balances with key management personnel and their related parties during the year.

Events subsequent to balance date

Subsequent to balance date, the Group sold its investment in Industria REIT for $4.8 million.

In July 2017, the Group announced an indicative, non-binding proposal to purchase the remaining securities it did not own in Asia Pacific Data Centre Group. The Group is currently undertaking due diligence.

Post balance date, on 2 August 2017, the Group issued 11.3 million securities at $0.98 per security as part of the Employee Share Plan (ESP), increasing the number of securities on issue to approximately 225.9 million.

No other circumstances have arisen since the end of the 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.

Environmental Issues

The Group complied with all environmental regulations during the course of the financial year.

Buy back arrangement

On 28 November 2016, the Group securityholders approved a buyback of approximately 20% of securities on issue. During the year, the Group bought back and cancelled 25,000,000 (2016: 9,100,000) securities. Total securities issued on the ASX reduced from 239,602,516 to 214,602,516. For further information refer to Note 25.

Options

No options over issued shares or interests in the Group were granted during or since the end of the financial year, and there were no options outstanding at the date of this report. The directors and executives of the Group hold no options over interests in the Group.

Indemnification and insurance of Officers and Directors

During or since the end of the financial year, the Group has paid insurance premiums to insure each of the aforementioned Directors as well as Officers of the Group against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the as officers of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The Group has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer of the Group.

Indemnification of auditors

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

Non-audit services

Disclosed in Note 11 were the non-audit services provided by the Group's auditors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 27 and forms part of the Directors' report for the year ended 30 June 2017.

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 annual financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Tony Robert Pitt
Director

Graham Ephraim Lenzner
Director

Sydney
17 August 2017

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of 360 Capital Group Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
17 August 2017

Contents

360 Capital Group

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Revenue from continuing operations			
Rental from investment properties	5	15,559	29,352
Funds management fees	5	4,314	8,069
Distributions from property funds	5	8,627	11,273
Finance revenue		1,725	384
Total revenue from continuing operations		**30,225**	49,078
Other income			
Net gain on disposal of subsidiary	29	77,621	-
Net gain on fair value of financial assets	6	-	14,417
Net gain on disposal of financial assets		-	750
Net gain on fair value of investment properties		1,782	-
Net gain on fair value of derivative financial instruments		1,649	-
Share of equity accounted profits	17	2,377	-
Other income		-	205
Total other income		**83,429**	15,372
Total revenue from continuing operations and other income		**113,654**	64,450
Investment property expenses	7	5,676	10,552
Employee benefit expenses	8	3,085	5,708
Administration expenses		1,308	1,828
Depreciation expenses		12	15
Finance expenses	9	7,496	11,935
Transaction costs	29	5,677	-
Net loss on fair value of financial assets	6	3,823	-
Net loss on fair value of investment properties		-	860
Net loss on fair value of derivative financial instruments		-	2,433
Net loss on sale of investment properties		355	279
Profit from continuing operations before income tax		**86,222**	30,840
Income tax expense	10	**18,331**	1,196
Profit for the year		**67,891**	29,644

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

360 Capital Group

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Profit for the year		**67,891**	29,644
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**67,891**	29,644
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		48,069	3,580
Unitholders of 360 Capital Investment Trust		15,511	20,494
Profit after tax attributable to the stapled securityholders		**63,580**	24,074
External non-controlling interests		4,311	5,570
Profit for the year		**67,891**	29,644

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		Cents	Cents
Basic earnings per security	12	**29.5**	10.6
Diluted earnings per security	12	**27.7**	9.8

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

360 Capital Group
Consolidated statement of financial position
As at 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents	13	97,246	13,732
Receivables	14	1,876	3,993
Assets held for sale	16	-	38,350
Financial assets at fair value through profit or loss	15	4,743	-
Other current assets		88	654
Total current assets		**103,953**	56,729
Non-current assets			
Financial assets at fair value through profit or loss	15	98,559	146,806
Investments equity accounted	17	19,141	-
Investment properties	18	-	258,700
Intangible assets	19	-	13,879
Property, plant and equipment		43	54
Deferred tax assets	20	268	144
Total non-current assets		**118,011**	419,583
Total assets		**221,964**	476,312
Current liabilities			
Trade and other payables	21	920	4,814
Borrowings	22	-	10,841
Distribution payable		3,487	3,744
Income tax payable		18,335	878
Provisions	24	45	106
Other current liabilities		-	1,676
Total current liabilities		**22,787**	22,059
Non-current liabilities			
Borrowings	22	-	207,258
Derivative financial instruments	23	-	2,190
Provisions	24	86	66
Total non-current liabilities		**86**	209,514
Total liabilities		**22,873**	231,573
Net assets		**199,091**	244,739

360 Capital Group

Consolidated statement of financial position

As at 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Equity			
Issued capital - ordinary shares	25	-	6,488
Issued capital - trust units	25	155,765	162,595
Security based payments reserve		6,106	5,119
Retained earnings/Accumulated losses		37,220	(8,765)
Total equity attributable to stapled Securityholders		**199,091**	165,437
External non-controlling interest		-	79,302
Total equity		**199,091**	244,739

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

360 Capital Group
Consolidated statement of changes in equity
For the year ended 30 June 2017

	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	-	-	-	63,580	63,580	4,311	67,891
Transactions with non-controlling interest	-	-	-	(103)	(103)	(66,430)	(66,533)
Transactions with Securityholders in their capacity as Securityholders							
Issued shares/units - Redeemed	(10,060)	(12,461)	-	-	(22,521)	-	(22,521)
Transfers to Retained earnings	2,731	-	-	(2,731)	-	-	-
Issued shares/units - ESP	841	5,631	-	-	6,473	-	6,473
Security based payment transactions	-	-	987	-	987	-	987
Equity raising transaction costs	-	-	-	-	-	(29)	(29)
Dividends/distributions	-	-	-	(14,762)	(14,762)	(17,154)	(31,915)
	(6,488)	(6,830)	987	(17,492)	(29,823)	(17,183)	(47,006)
Balance at 30 June 2017	**-**	**155,765**	**6,106**	**37,220**	**199,091**	**-**	**199,091**
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	-	-	-	24,074	24,074	5,570	29,644
Transactions with non-controlling interest	-	-	-	408	408	12,454	12,862
Transactions with Securityholders in their capacity as Securityholders							
Issued shares/units - Redeemed	(898)	(5,220)	-	327	(5,791)	-	(5,791)
Security based payment transactions	-	-	1,886	-	1,886	-	1,886
Equity raising transaction costs	-	-	-	-	-	(24)	(24)
Dividends/distributions	-	-	-	(15,308)	(15,308)	(6,071)	(21,379)
	(898)	(5,220)	1,886	(14,981)	(19,213)	(6,095)	(25,308)
Balance at 30 June 2016	6,488	162,595	5,119	(8,765)	165,437	79,302	244,739

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

360 Capital Group
Consolidated statement of cash flows
For the year ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities			
Cash receipts from customers		24,231	42,924
Cash payments to suppliers and employees		(11,105)	(20,888)
Dividends and distributions received		10,524	11,161
Finance revenue		1,725	387
Finance expenses		(7,369)	(11,187)
Income tax paid		(998)	(1,488)
Net cash inflows from operating activities	27	**17,008**	20,909
Cash flows from investing activities			
Payments for investment properties and additions		(3,129)	(1,821)
Proceeds from disposal of investment properties		38,350	38,901
Payments for financial assets		(42,312)	(19,882)
Payments for equity accounted investments		(9,371)	-
Payments for intangible assets		-	(8,879)
Proceeds from repayment of ESP loans		6,472	-
Proceeds from disposal of financial assets		7,197	1,647
Proceeds from unit sale agreement		130,522	-
Payments for loan receivable		(66,026)	-
Repayment of loan receivable		66,026	-
Proceeds from disposal of subsidiaries - net of cash divested		92,781	-
Payments for subsidiaries - net of cash acquired		-	(990)
Payment of transaction costs on disposal of subsidiaries		(5,177)	-
Net cash inflows from investing activities		**215,333**	8,976
Cash flows from financing activities			
Proceeds from borrowings		723	2,171
Repayment of borrowings		(91,705)	(11,000)
Distributions paid to stapled securityholders		(15,018)	(15,244)
Distributions paid to external non-controlling interests		(16,867)	(6,071)
Proceeds from issue of capital to non-controlling interest		3,501	4,815
Payment for redemption of securities		(22,524)	(5,791)
Net cash outflows from financing activities		**(141,890)**	(31,120)
Net increase/(decrease) in cash and cash equivalents		90,451	(1,235)
Cash and cash equivalents at the beginning of the year		13,732	14,967
Cash balance on deconsolidation of controlled entities		(6,937)	-
Cash and cash equivalents at the end of the year	13	**97,246**	13,732

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

Note 1: Basis of preparation

a) Reporting entity

The financial report of 360 Capital 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 ASX. The stapled security cannot be traded or dealt with separately.

360 Capital Group Limited is a company limited by shares, established and domiciled in Australia. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Group are disclosed in the Directors' report.

The principal accounting policies adopted in the preparation of the financial report are set out below and in Note 36.

b) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards (including Australian Interpretations) adopted by the AASB, being Australian equivalent to IFRS (AIFRS). The financial report complies with IFRS and interpretations adopted by the International Accounting Standards Board.

c) Basis of preparation

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

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

The 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.

d) Critical judgements and significant accounting estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

d) Critical judgements and significant accounting estimates (continued)

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

Valuation of investment properties

The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken at least once in a two-year period. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 36(m).

Income taxes

The Group is subject to income taxes in Australia. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

The Group recognises liabilities based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Impairment of assets

The Group assesses the recoverability of both current and non-current assets on at least an annual basis. In determining the recoverability of these assets, the Group assesses the likelihood that future cash flows or net assets support the carrying values.

Financial assets at fair value through profit or loss

The fair value of investments which are not traded in an active market is determined by using valuation techniques. The Net Tangible Assets (NTA) of the underlying Funds is used as a basis for valuation but may be amended as deemed appropriate. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date.

In determining the NTA of the underlying investments, property assets are either valued using an external professional valuer, or subject to a Director valuation. All other assets and liabilities held within entities are valued in accordance with accounting policies, consistent with those noted in Note 36.

Deferred exit fees receivable

Deferred exit fees receivable have been estimated based on the Group's best estimate of the amount earned at balance date taking into account the weighted average of reasonably possible future cash inflows at the currently expected divestment date of the underlying investment properties on which it is earned.

Intangibles

The Group assesses the carrying value of intangibles on at least a semi-annual basis. Critical judgements are made by the Group in assessing the value of management rights which have an indefinite life. Management rights are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Refer to Note 19 for further information.

d) Critical judgements and significant accounting estimates (continued)

Control of entities
The Group has consolidated the financial results of entities it is deemed to control under AASB10 *Consolidated Financial Statements*. Critical judgements are made by the Group to determine whether control exists, principally around the three criteria which must be met (refer to Note 36(b)). Further information on Controlled Entities is included in Note 32.

Critical accounting estimates
Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed above.

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

The consolidated entity has applied the amendments contained in the Corporations Amendment (Corporate Reporting Reform) Bill 2010 in the preparation of this financial report which allows for removing the requirement in consolidated financial statements to include full parent entity information. A note containing information about the Parent Entity has been included at Note 34.

Note 2: Capital Management

Under the direction of the Board, the Group manages its capital structure to safeguard the ability of the Group to continue as a going concern while maximising the return to securityholders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends and distributions paid to securityholders, return capital to securityholders, issue new stapled securities, purchase the Group's own securities on the market, or sell assets to reduce debt.

Neither the Company nor any of its related entities are subject to externally imposed capital requirements with the exception of the Responsible Entities. The Responsible Entities must hold capital in accordance with Australian Financial Services Licence requirements.

For information on issued capital refer to Note 25 and on borrowings refer to Note 22.

Note 3: 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, with the direct asset investment segment ceasing activities during the previous year;

1) Funds management – utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
2) Investment – equity and debt investments in real estate including co-investment in managed funds, providing income through distributions and finance revenue and potential capital growth in equity values

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 as they are considered non-recurring. Finance revenue has been reallocated to finance revenue from net interest expense in the current financial year, to reflect the finance revenue streams from investment in real estate debt products and other interest income in total revenue.

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 (refer to Note 32). The performance of these managed funds, which are operated as externally managed investment schemes, is considered to be non-core and is 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.

Note 3: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2017 are as follows:

Year ended 30 June2017	Investment	Direct asset investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	-	7,377	-	7,377	(1,109)	6,268
Net property income	-	-	-	-	-	10,147	10,147
Co-investment revenue	12,689	-	-	-	12,689	(2,887)	9,802
Finance revenue	699	-	171	786	1,656	69	1,725
Total revenue and other income	**13,388**	**-**	**7,548**	**786**	**21,722**	**6,220**	**27,942**
Operating expenses	139	-	3,115	939	4,193	212	4,405
Earnings before interest and tax (EBIT)	**13,249**	**-**	**4,433**	**(153)**	**17,529**	**6,008**	**23,537**
Interest expense	-	-	-	2,986	2,986	3,315	6,301
Operating profit before tax	**13,249**	**-**	**4,433**	**(3,139)**	**14,543**	**2,693**	**17,236**
Income tax expense	-	-	-	1,300	1,300	-	1,300
Operating profit (before specific non-cash and significant items)	**13,249**	**-**	**4,433**	**(4,439)**	**13,243**	**2,693**	**15,936**
Interest on Group ESP					821		
Operating earnings used in calculating - diluted operating EPS					**14,064**		
Weighted average number of securities - diluted ('000)					229,671		
Operating profit per security (EPS) - cents - diluted					**6.1**		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 41.

Note 3: Segment reporting (continued)

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

Year ended 30 June 2016	Investment	Direct asset investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	-	10,163	-	10,163	(1,768)	8,395
Net property income	-	1,198	-	-	1,198	18,887	20,085
Co-investment revenue	17,496	-	-	-	17,496	(6,223)	11,273
Total revenue and other income	**17,496**	**1,198**	**10,163**	**-**	**28,857**	10,896	39,753
Operating expenses	134	5	4,940	1,036	6,115	512	6,627
Earnings before interest and tax (EBIT)	**17,362**	**1,193**	**5,223**	**(1,036)**	**22,742**	10,384	33,126
Net interest expense	-	210	(245)	5,653	5,618	5,933	11,551
Operating profit before tax	**17,362**	**983**	**5,468**	**(6,689)**	**17,124**	4,451	21,575
Income tax expense	-	-	-	1,161	1,161	-	1,161
Operating profit (before specific non-cash and significant items)	**17,362**	**983**	**5,468**	**(7,850)**	**15,963**	4,451	20,414
Interest on Group ESP					1,339		
Operating earnings used in calculating - diluted operating EPS					**17,302**		
Weighted average number of securities - diluted ('000)					246,760		
Operating profit per security (EPS) - cents - diluted					**7.0**		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 41.

Note 3: Segment reporting (continued)

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

	30 June 2017 $'000	30 June 2016 $'000
Total revenue per segment report	**27,942**	39,753
Investment property expenses reported in net property income	5,676	10,552
Acquistion and underwrite fees [3]	(1,954)	(283)
Straight-lining of lease revenue and incentives [2]	(264)	(25)
Distibutions from equity account investments	(1,174)	-
Interest income	-	384
Rent receivable adjustment [1]	-	(1,260)
Other income	-	(43)
Total revenue in the statement of profit or loss	**30,225**	49,078
Net gain on disposal of subsidiary [4]	77,621	-
Net (loss)/gain on fair value of financial assets	-	14,417
Share of equity accounted profits, net of distributions received	2,377	162
Net gain on disposal of financial assets	-	750
Net gain on fair value of derivative financial instruments	1,649	-
Net gain on fair value of investment properties	1,782	-
Other income	-	43
Total revenue and other income in the statement of profit or loss	**113,654**	64,450

1) Rent receivable adjustment of $1.3 million in FY16, relates to rent received on the Hurstville investment property from the purchaser. The purchaser leased the entire building from the expiry of the ATO lease in February 2015 until settlement on 30 September 2015, with the sale price to be reduced by any rental payments under the lease. Rent received is recorded as a liability for statutory reporting purposes.
2) Straight-lining of lease revenue and incentives are excluded from revenue in the segment report in order to report revenue on a cash basis.
3) Acquisition and underwrite fees are recognised on a proportionate basis equal to the equity sold down in 360 Capital Retail Fund No.1 (now known as Centuria Retail Fund). These fees are eliminated on consolidation for statutory reporting purposes.
4) The net gain from disposal of CIML associated with the Transaction, deducted from revenue on the basis of the one-off nature of the transaction.

Note 3: Segment reporting (continued)

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

	Total core 30 June 2017 $'000	Total core 30 June 2016 $'000	Total 30 June 2017 $'000	Total 30 June 2016 $'000
Profit after tax attributable to stapled securityholders	**63,580**	24,074		
Profit for the year			**67,891**	29,644
Specific non-cash items				
Net loss/(gain) on fair value of financial assets	2,860	(11,588)	3,823	(14,417)
Net gain on disposal of financial asset	-	(750)	-	(750)
Net (gain)/loss on fair value of investment properties	-	-	(1,782)	860
Net (gain)/loss on fair value of derivative financial instruments	(229)	1,607	(1,649)	2,433
Security based payments expense	-	624	-	624
Share of equity accounted profits, net of distributions received	(1,203)	(162)	(1,203)	(162)
Straight-lining of lease revenue and incentives	-	-	264	25
Other items	-	301	-	300
Significant items				
Net gain on disposal of subsidiary	(77,621)	-	(77,621)	-
Transaction costs	5,677	-	5,677	-
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
Acquistion and underwrite fees	1,954	283	1,954	283
Tax effect				
Tax effect of specific non-cash and significant items	17,030	35	17,030	35
Operating profit (before specific non-cash and significant items)	**13,243**	15,963	**15,935**	20,414

Note 3: Segment reporting (continued)

As at 30 June 2017	Investment $'000	Direct asset investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets							
Cash and cash equivalents	871	-	11,148	85,228	**97,247**	-	97,247
Financial assets and equity accounted assets	122,442	-	-	-	**122,442**	-	122,442
Other assets and intangibles	1,845	-	45	385	**2,275**	-	2,275
Total assets	125,158	-	11,193	85,613	**221,964**	-	221,964
Liabilities							
Borrowings	-	-	-	-	**-**	-	-
Other liabilities	-	-	87	22,786	**22,873**	-	22,873
Total liabilities	-	-	87	22,786	**22,873**	-	22,873
Net assets	**125,158**	**-**	**11,106**	**62,827**	**199,091**	**-**	**199,091**

As at 30 June 2016	Investment $'000	Direct asset investment $'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 and equity accounted assets	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 4: Distributions and dividends

The Company did not declare any dividends during the year or up to the date of this report (2016: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the year were as follows:

	30 June 2017 $'000	**30 June 2016 $'000**
1.5625 cents per stapled security paid on 26 October 2015	-	3,867
1.5625 cents per stapled security paid on 28 January 2016	-	3,867
1.5625 cents per stapled security paid on 29 April 2016	-	3,830
1.5625 cents per stapled security paid on 27 July 2016	-	3,744
1.625 cents per unit paid on 28 October 2016	3,893	-
1.625 cents per unit paid on 25 January 2017	3,894	-
1.625 cents per stapled security paid on 27 April 2017	3,487	-
1.625 cents per stapled security paid on 27 July 2017	3,488	-
	14,762	15,308

Note 5: Revenue

Rental from investment properties include:

	30 June 2017 $'000	**30 June 2016 $'000**
111 St George's Terrace, Perth WA	7,096	14,052
Windsor Marketplace, NSW	1,086	2,090
City Centre Plaza, Rockhampton, QLD	2,855	6,042
441 Murray Street, Perth WA	2,022	3,179
Subiaco Square Shopping Centre, Perth WA	1,238	3,558
Havelock House, West Perth WA	1,262	431
	15,559	29,352

All the above properties were held within the Group's managed funds which historically have been consolidated for financial reporting purposes. As a result of the Transaction detailed in Note 29 these funds have been deconsolidated from the Group's financial results from January 2017. Refer to Note 32 for more information.

In November 2016, the Subiaco Square Shopping Centre was sold and the fund was wound up during the year.

Note 5: Revenue (continued)

Funds management fees include:

	30 June 2017 $'000	30 June 2016 $'000
Management fees	4,017	6,717
Custodian fees	281	488
Performance fees	16	(48)
Leasing fees	-	412
Other fees	-	500
	4,314	8,069

Distributions from property funds include:

	30 June 2017 $'000	30 June 2016 $'000
Centuria Industrial REIT	3,739	6,884
Centuria Urban REIT	1,871	3,582
360 Capital Total Return Fund	-	560
Industria REIT	166	-
Asia Pacific Data Centre Group	557	-
Centuria Havelock House Fund	230	230
Centuria 111 St Georges Terrace Fund	1,251	-
Centuria Retail Fund	813	-
360 Capital AREIT Fund	-	17
	8,627	**11,273**

Note 6: Net (loss)/gain on fair value of financial assets

	30 June 2017 $'000	30 June 2016 $'000
Investments in property funds	**(3,823)**	14,417

Refer to Note 15 for information on the fair value adjustments on Investments in property funds.

Note 7: Investment property expenses

	30 June 2017 $'000	30 June 2016 $'000
12 - 22 Woniora Road, Hurstville NSW	-	62
111 St George's Terrace, Perth WA	2,333	4,599
Windsor Marketplace, Windsor, Sydney NSW	342	2,585
City Centre Plaza, Rockhampton QLD	1,216	691
441 Murray Street, Perth WA	328	855
Subiaco Square Shopping Centre, Perth WA	1,170	1,661
Havelock House, West Perth WA	287	99
	5,676	10,552

All the above properties were held within the Group's managed funds which historically have been consolidated for financial reporting purposes. As a result of the Transaction detailed in Note 29 these funds have been deconsolidated from the Group's financial results from January 2017. Refer to Note 32 for more information.

In November 2016, the Subiaco Square Shopping Centre was sold and the fund was wound up during the year.

Note 8: Employee benefit expenses

	30 June 2017 $'000	30 June 2016 $'000
Wages and salaries	2,770	4,551
Employer superannuation contributions	197	307
Security based payments expense	-	624
Payroll tax	118	226
	3,085	5,708

The Group paid employee termination costs and deal bonuses to employees of $3.7 million during the year, these costs are included in transaction costs.

In October 2013 the Group implemented an Employee Security Plan (ESP). Employees were granted 21,970,000 securities subject to a 3 year Total Securityholder Return target, these ESP securities vested on 1 October 2016. The fair value of the issue of securities under the ESP has been determined by an independent Actuary using a binominal pricing model. The Group has recognised Nil (2016: $0.6 million) of security based payment expense in the statement of profit or loss. Further information on the ESP and the fair value calculation is provided in Note 25.

Note 9: Finance expenses

	30 June 2017 $'000	30 June 2016 $'000
Interest and finance charges paid and payable	5,886	11,179
Borrowing cost amortisation	415	756
Write-off deferred borrowing costs	1,195	-
	7,496	11,935

Note 10: 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 year are:

	30 June 2017 $'000	30 June 2016 $'000
Profit before tax attributable to stapled securityholders	81,911	25,270
Income tax expense at the effective corporate rate of 27.5% (2016: 30%)	22,526	7,581
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(4,266)	(6,148)
Accounting profit on sale of subsidiary	(21,140)	-
Capital gain on disposal of subsidiary	22,241	-
Accounting loss on disposal of investment	444	-
Capital gain on disposal of investment	341	-
Transaction costs adjustment	85	-
Reversal of impairment	2,226	-
Equity accounted profits	(444)	(48)
ESP interest income taxable	246	367
Security based payments expense non-tax deductible	-	187
Tax deferred distribution income	(48)	(161)
Other tax adjustments	(30)	(306)
Income tax expense	22,181	1,472
Adjustment for current tax of prior years	(240)	(276)
Utilisation of prior year capital losses previously not brought to account	(3,610)	-
Income tax expense recognised in the statement of profit or loss	**18,331**	1,196

The 360 Capital Group Limited had carried forward capital tax losses of $15.4 million at the beginning of the year which had not been recognised as a deferred tax asset. Previously it had not been considered probable that the corporate entities in the Group would realise any capital gains through the sale of assets and therefore the capital losses had not been recognised, however the Transaction gave rise to a significant capital gain arising from the sale of the management business resulting in the Group being able to utilise the previously unrecognised capital losses. The Group has a balance $2.3 million in carried forward capital tax losses which have not been recognised as a deferred tax asset at the end of the financial year.

Note 11: Auditors' remuneration

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

	30 June 2017 $	30 June 2016 $
Audit services		
Audit and review of financial reports	125,500	185,000
Other assurance services	7,250	19,080
	132,750	204,080
Other services		
Taxation compliance services	65,450	176,550
Other services	66,900	-
Total auditors' remuneration	265,100	380,630

Note 12: Earnings per stapled security

	30 June 2017 ¢	30 June 2016 ¢
Basic earnings per stapled security	29.5	10.6
Diluted earnings per stapled security	27.7	9.8

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	63,580	24,074

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	215,796	226,492
Weighted average number of stapled securities - diluted	229,671	246,760

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 1 October 2016. Except for 10,970,000 ESP securities for which the related ESP loan was repaid during the year, 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 25.

Note 13: Cash and cash equivalents

	30 June 2017 $'000	30 June 2016 $'000
Cash at bank	97,246	13,732
Cash and cash equivalents in the statement of cash flows	**97,246**	13,732

Note 14: Receivables

	30 June 2017 $'000	30 June 2016 $'000
Current		
Trade receivables	31	645
Distributions receivables	1,845	2,806
Other receivables	-	542
	1,876	3,993

a) Bad and doubtful trade receivables

During the year, the Group incurred Nil (2016: $156,976) in respect of provisioning for bad and doubtful trade receivables in relation to lease income on investment properties.

b) Fair values

The receivables are carried at amounts that approximate their fair value.

c) Credit risk

There is a limited amount of credit risk – refer to Note 26 for more information on the risk management policy of the Group.

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

	30 June 2017 $'000	30 June 2016 $'000
Current	31	561
1 to 3 months	-	64
More than 3 months	-	20
	31	645

As at 30 June 2017, trade receivables of Nil (2016 $84,243) were past due but not impaired.

Note 15: Financial assets at fair value through the profit or loss

	30 June 2017 $'000	30 June 2016 $'000
Current		
Units in listed funds managed externally	4,743	-
	4,743	-
Non-current		
Units in listed funds managed by Group subsidiaries	-	146,806
Units in listed funds managed externally	40,242	-
Units in unlisted funds managed externally	58,317	-
	98,559	146,806
Total	**103,302**	146,806

The Group holds investments in the following managed investment schemes:

	30 June 2017 %	30 June 2016 %	30 June 2017 $'000	30 June 2016 $'000
Current				
Industria REIT	1.3	-	4,743	-
			4,743	-
Non-current				
Unlisted investments subject to put and call option				
Centuria 111 St Georges Terrace Fund	42.3	-	30,544	-
Centuria Havelock House Fund	28.0	39.3	3,630	-
Centuria Retail Fund	50.0	-	19,564	-
Unlisted funds managed externally				
Centuria Retail Fund	16.4	-	4,579	-
Listed funds				
Asia Pacific Data Centre Group	19.9	-	40,242	-
Centuria Industrial REIT	-	15.6	-	90,828
Centuria Urban REIT	-	28.8	-	47,411
360 Capital Total Return Fund	-	24.3	-	8,567
			98,559	146,806
Total			**103,302**	146,806

As a result of the Transaction detailed in Note 29, 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 Centuria Retail Fund and will work together with Centuria to sell this stake down over the option period.

Following the completion of the Transaction, the Centuria Retail Fund (formerly 360 Capital Retail Fund No.1), Centuria 111 St Georges Terrace Fund (formerly 360 Capital 111 St Georges Terrace Property Trust), Centuria 441 Murray Street Fund (formerly 360 Capital 441 Murray Street Property Trust), and Centuria Havelock House Fund (formerly 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 29 and Note 32.

Note 15: Financial assets at fair value through the profit or loss (continued)

During the year the call option on Centuria 441 Murray Street Fund units was exercised on all units for a total of $3.8 million and the call option on Centuria Havelock House Fund was exercised over 1.0 million units for a total of $1.4 million.

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 year. The Group has elected to measure this investment in accordance with AASB 139 *Financial instruments: recognition and measurement* at fair value through profit or loss as allowed under paragraph 18 of AASB 128 *Investments in Associates and Joint Ventures*.

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

	30 June 2017 $'000	30 June 2016 $'000
Balance at 1 July	146,806	117,421
Financial assets recognised through deconsolidation	64,053	-
Financial assets acquired - on market	42,312	-
Financial assets acquired - other	-	19,879
Financial assets disposed - listed	(132,288)	-
Financial assets disposed – call option exercised	(5,194)	-
Financial assets disposed - other	-	(899)
Reclassified to equity accounted investment	(8,567)	-
Financial assets consolidated into financial statements	-	(4,012)
Fair value adjustment of financial assets	(4,057)	14,417
Other	237	-
Closing balance	103,302	146,806

Note 16: Assets held for sale

	30 June 2017 $'000	30 June 2016 $'000
Investment property		
Subiaco Square Shopping Centre, Perth WA	-	38,350
	-	38,350
Less: Deferred rent receivable	-	(1,260)
Deferred rent received	-	1,260
	-	38,350

On 30 November 2016, the Group settled Subiaco Square Shopping Centre, WA for a gross sale price of $38.4 million. The fund has since been wound up.

Note 16: Assets held for sale (continued)

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

	30 June 2017 $'000	30 June 2016 $'000
Balance at 1 July	38,350	47,000
Reclassification from investment properties	-	38,350
Sale of asset held for sale	(38,350)	(47,000)
Closing balance	-	38,350

a) Valuation basis
Assets held for sale are carried at fair value, refer to Note 36(l) for further information.

Note 17: Investments accounted for using the equity method

	30 June 2017 %	30 June 2016 %	30 June 2017 $'000	30 June 2016 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	-	-
Joint venture				
Australian Mezzanine Finance Pty Limited	50.0	-	-	-
Co-investment interest				
360 Capital Total Return Fund	23.7	-	19,141	-

Partnership interest
The Group, through various wholly owned subsidiary companies, holds a 50% interest in the Renewing Homebush Bay Partnership. The other 50% is held by entities associated with Brookfield Multiplex Group. The principal activity of the partnership was residential property development. At 30 June 2017, the partnership was dormant and was in the process of being wound up.

Joint venture
During the year the Group acquired a 50% stake of Australian Mezzanine Finance Pty Limited (AMF) for nominal consideration. AMF will provide alternative lending and structured financing solutions to Australian real estate investors and developers. The other 50% stake is held by 360 Capital Total Return Fund. There were no transactions in AMF during the year.

Co-investment interest
The Group holds a 23.7% interest in the 360 Capital Total Return Fund. From 1 July 2016, this investment has been reclassified as an equity accounted investment.

Note 17: Investments accounted for using the equity method (continued)

Reconciliation of movements in equity accounted investments for the year are as follows:

	30 June 2017 $'000
360 Capital Total Return Fund	
Reclassified from Financial assets at fair value	8,567
Acquisitions of interest	9,371
Equity accounted profit for the year	2,377
Distributions	(1,174)
Closing Balance	**19,141**

	$'000
360 Capital Total Return Fund	
Current assets	85,153
Current liabilities	(3,252)
Equity	81,901
Group's carrying amount of investment	**19,141**

	$'000
Revenue from continuing operations	3,718
Other income	3,643
Expenses	(661)
Total comprehensive income for the year	6,700
Group's share of profit	**2,377**

Note 18: Investment properties

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	30 June 2017 $'000	30 June 2016 $'000	30 June 2017 %	30 June 2016 %	30 June 2017 %	30 June 2016 %	Last external valuation	Valuation $'000
111 St George's Terrace, Perth WA	2-Oct-13	-	140,100	-	8.00	-	8.75	Dec-15	139,000
441 Murray Street, Perth WA	2-Oct-13	-	22,000	-	8.25	-	9.25	Oct-15	22,000
City Centre Plaza, Rockhampton QLD	26-Jun-15	-	50,000	-	7.00	-	8.00	Jun-16	50,000
Windsor Marketplace, Windsor NSW	11-Jun-15	-	21,400	-	6.75	-	7.50	Jun-16	21,400
Subiaco Square Shopping Centre, Perth WA	1-Nov-14	-	-	-	-	-	-	Jun-15	32,000
Havelock House, West Perth WA	4-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 that occurred on 30 December 2016, which included entering a put and call option over the majority of the Group's unlisted investments, the Centuria Retail Fund, Centuria 111 St Georges Terrace Fund, Centuria 441 Murray Street Fund, and Centuria Havelock House Fund are no longer consolidated into results of the Group as at 30 June 2017 and therefore no investment properties are held on the balance sheet. For further information refer Note 29 and Note 32.

Note 18: Investment properties (continued)

	30 June 2017 $'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

a) Valuation basis

Investment properties are carried at fair value. Fair value of the properties is determined by the Directors, having regard to the most recent independent valuations prepared by valuers with appropriately recognised professional qualification and recent experience in the location and category of the property being valued. Valuation methods used to determine the fair value include market sales comparison, discounted cash flow and capitalisation rate. The fair value for a property may be determined using a combination of these and other valuation methods. As discounted cash flow and capitalisation rate use unobservable inputs, the investment property is categorised as Level 3 under the Fair Value Hierarchy. These inputs include net passing rent, gross market rent and net market rent as set out in the sensitivity matrix below.

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 absolute to returns from alternative investments, CPI rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at terminal value. The terminal value is determined by using an appropriate capitalisation rate.

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 18: Investment properties (continued)

b) Sensitivity Matrix

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

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note 26 for further information on the fair value hierarchy.

Net passing rent is the contracted amount for which a property or space within a property is leased. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

Gross market rent is the estimated total amount for which a tenancy within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgably, prudently and without compulsion.

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

c) Highest and best use
For all investment properties, the current use equates to the highest and best use.

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

	30 June 2017 $'000	30 June 2016 $'000
No later than 12 months	-	18,331
Between 12 months and five years	-	52,538
Greater than five years	-	48,158
	-	119,027

Note 19: Intangible assets

Cost	30 June 2017 $'000	30 June 2016 $'000
Opening balance at 1 July	13,878	5,000
Sale of management rights	(13,878)	-
Management right - indefinite useful life	-	8,879
Closing balance at 30 June	-	13,879
Net book value	**-**	13,879

Existing management rights of $13.9 million at the commencement of the year relate to the acquisition of 360 Capital Property Group in the 2014 financial year plus the acquisition of management rights relating the Australian Industrial REIT in the 2016 financial year. These management rights were sold on 30 December 2016 as part of the Transaction detailed in Note 29.

Impairment of intangible assets
There was no impairment of management rights during the year (2016: Nil).

Note 20: Deferred tax assets and liabilities

	30 June 2017 $'000	30 June 2016 $'000
Deferred tax assets comprises temporary differences attributable to:		
Accrued expenses	261	131
Provision for doubtful debts	-	1
Business acquisition costs	7	12
	268	144
Deferred tax liabilities comprises temporary differences attributable to:		
Accrued revenue	-	-
	-	-
Net deferred tax assets	**268**	144

A reconciliation of the carrying amount of deferred tax assets and liabilities movements during the year is set out below:

	30 June 2017 $'000	30 June 2016 $'000
Balance at 1 July	144	359
Recognition of prior year tax losses not brought to account	-	-
Adjustments for current tax of prior years	-	(117)
Prior year carried forward tax losses utilised		-
Recognition and reversal of timing differences	124	(98)
Closing balance	268	144
Net deferred tax assets expected to reverse within 12 months	268	144
Net deferred tax assets expected to reverse after more than 12 months	-	-
	268	144

Note 20: Deferred tax assets and liabilities (continued)

For further information on recognition of deferred tax balances (refer to Note 10).

Tax consolidation
360 Capital Group Limited formed a tax consolidated group with effect from 1 July 2005. All wholly owned Australian resident subsidiaries are part of the tax consolidated group. 360 Capital Group Limited is the head entity of the tax consolidated group. Companies included in the 360 Capital Property Group acquisition that occurred during the prior year joined the tax consolidated group on the date of acquisition being 2 October 2013. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Note 21: Trade and other payables

	30 June 2017 $'000	30 June 2016 $'000
Trade & GST payables	542	1,225
Employee benefits	23	71
Accruals	345	3,497
Other payables	10	21
	920	4,814

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

Note 22: Borrowings

	30 June 2017 $'000	30 June 2016 $'000
Current		
Borrowings - secured	-	10,841
	-	**10,841**
Non-current		
Borrowings - secured	-	130,922
Borrowings - unsecured	-	78,229
Capitalised borrowing costs	-	(1,893)
	-	**207,258**
Borrowings - secured		
Total facility limit	-	229,629
Used at end of reporting date	-	(219,992)
Unused at end of reporting date	-	9,637

a) Loan facilities summary

Secured borrowings
As a consequence of the Transaction detailed in Note 29, the Centuria Retail Fund, Centuria 111 St Georges Terrace Fund , Centuria 441 Murray Street Fund, and Centuria Havelock House Fund 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.

Note 22: Borrowings (continued)

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 a total redemption value of $78.0 million including the early redemption premium.

Note 23: Derivative financial instruments

	30 June 2017 $'000	30 June 2016 $'000
Non-current		
Interest rate swap contracts - fair value	-	2,190
Total	**-**	2,190

The Group utilises derivative financial instruments to hedge exposure to fluctuations in interest rates. Refer to Note 26 for further information on interest rate swap contracts.

a) Interest rate swap contracts
As a result of the Transaction and subsequent deconsolidation detailed in Note 29 and 32, the Group no longer holds any debt instruments as at 30 June 2017.

Note 24: Provisions

	30 June 2017 $'000	30 June 2016 $'000
Current		
Employee benefits	45	106
	45	106
Non-current		
Employee benefits	86	66
	86	66

Note 25: Equity

(a) Issued capital

	30 June 2017 '000	30 June 2016 '000
360 Capital Group Limited - Ordinary shares issued	207,203	221,233
360 Capital Investment Trust - Ordinary units issued	207,203	221,233

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	-	6,488
360 Capital Investment Trust - Ordinary units issued	155,765	162,595
Total issued capital	**155,765**	169,083

Note 25: Equity (continued)

(b) Movements in issued capital

Movements in issued capital of the Group for the year were as follows:

	30 June 2017 '000	30 June 2016 '000
Opening balance at 1 July	221,233	226,733
Securities bought back on-market and cancelled	(25,000)	(5,500)
Employee securities where non-recourse loans were repaid during the year	10,970	-
Closing balance at 30 June	207,203	221,233

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:

	30 June 2017 '000	30 June 2016 '000
Total ordinary securities disclosed at 1 July	207,203	221,233
Issued capital – balance ESP issued in October 2013	7,400	18,370
Total securities issued on the ASX	214,603	239,603

(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 1 October 2016, due to all vesting conditions being met. Except for 10,970,000 ESP securities for which the related ESP loan of $6.5 million was repaid during the year, the remaining ESP securities of 7,400,000 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.

(d) Security buy-back

During the year the Group activated its on-market buyback, as approved by securityholders on 28 November 2016, acquiring and subsequently cancelling 25.0 million securities at an average price of 90 cents per security in February 2017.

Note 26: Other financial assets and liabilities

Overview
360 Capital Group's activities expose it to various types of financial risks including credit risk, liquidity risk, and market risk. The Group's Board of Directors has responsibility for the establishment and oversight of the risk management framework ensuring the effective management of risk.

The Board has developed risk management principles and policies and monitors their implementation. Policies are established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and monitor the risks and adherence to limits. The Board meets regularly to review risk management policies and systems and ensure they reflect changes in market conditions and the Group's activities.

The nature and extent of the financial instruments and the risk management policies employed by the Group are discussed below.

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

	30 June 2017 $'000	**30 June 2016 $'000**
Cash and cash equivalents	97,246	13,732
Receivables	1,876	3,993
Financial assets at fair value through profit or loss	103,302	146,806
Total	**202,424**	164,531

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. At reporting date, there are no issues with the credit quality of financial assets that are neither past due or impaired, and all amounts are expected to be received in full.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
The Group's interest rate risk arises from borrowings and cash balances. Borrowings are at variable interest rates and expose the Group to cash flow interest rate risk. The Group utilises derivative financial instruments to hedge exposure to fluctuations in interest rates.

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

Note 26: Other financial assets and liabilities (continued)

	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in 1 to 5 years	Fixed interest maturing more than 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2017						
Financial assets						
Cash and cash equivalents	92,052	5,194	-	-	-	97,246
Receivables	-	-	-	-	1,876	1,876
Financial assets at fair value through profit or loss	-	-	-	-	103,302	103,302
Total financial assets	92,052	5,194	-	-	105,178	202,424
Financial liabilities						
Trade and other payables	-	-	-	-	920	920
Total financial liabilities	-	-	-	-	920	920
Net financial assets	**92,052**	**5,194**	**-**	**-**	**104,258**	**201,504**
30 June 2016						
Financial assets						
Cash and cash equivalents	8,538	5,194	-	-	-	13,732
Receivables	-	-	-	-	3,993	3,993
Financial assets at fair value through profit or loss	-	-	-	-	146,806	146,806
Total financial assets	8,538	5,194	-	-	150,799	164,531
Financial liabilities						
Trade and other payables	-	-	-	-	4,814	4,814
Borrowings	21,962	65,000	95,200	34,600	-	216,762
Derivative financial instruments	-	-	-	-	2,190	2,190
Total financial liabilities	21,962	65,000	95,200	34,600	7,004	223,766
Weighted average interest rate			6.31%	3.84%		
Net financial assets/(liabilities)	(13,424)	(59,806)	(95,200)	(34,600)	143,795	(59,235)

Note 26: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis

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

		Change in interest rate	
		-1%	1%
	Carrying amount $'000	Profit $'000	Profit $'000
30 June 2017			
Financial assets			
Cash and cash equivalents	97,246	(972)	972
Total (decrease) increase		**(972)**	**972**
30 June 2016			
Financial assets			
Cash and cash equivalents	13,732	(85)	85
Financial liabilities			
Borrowings	216,762	220	(220)
Derivative financial instruments	2,190	(2,731)	2,600
Total (decrease) increase		2,596	2,465

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board has a policy of prudent liquidity risk management ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

Note 26: Other financial assets and liabilities (continued)

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

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 Year $'000	Between 1-5 Years $'000	Over 5 Years $'000
30 June 2017					
Trade and other payables	920	920	920	-	-
Borrowings	-	-	-	-	-
	920	920	920	-	-
30 June 2016					
Trade and other payables	4,815	4,815	4,815	-	-
Borrowings	216,762	240,629	21,059	219,570	-
	221,577	245,444	25,874	219,570	-

Price risk

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

The investments within the Group are listed and unlisted property securities. These risks include, but are not limited to, exposure from different investment classes and geographical locations. The overall risk to exposures from investments is monitored and managed by the Board, and policies are set which each individual fund complies with. The framework of the composition of the securities held by the Group is in line with Group policies.

Price risk – sensitivity analysis

A fluctuation of 1% in the market price of the underlying equity securities/units would impact the net profit of the Group, with all other variables held constant, by an increase/(decrease) of $0.8 million (2016: $3.65 million).

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2017:

	Carrying amount		Fair value	
	30 June 2017 $'000	30 June 2016 $'000	30 June 2017 $'000	30 June 2016 $'000
Non-Current Financial liabilities				
Borrowings	-	207,258	-	209,151
Derivative financial instruments	-	2,190	-	2,190
Total non-current financial liabilities	-	209,448	-	211,341

Note 26: Other financial assets and liabilities (continued)

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.

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

30 June 2017	$'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Fair value profit or loss financial assets	103,302	98,723	-	4,579

30 June 2016	$'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Fair value profit or loss financial assets	146,806	146,806	-	-
Derivatives	2,190	-	2,190	-

During the year the unlisted investments subject to the put and call agreement under the Transaction have been included as level 1 as their carrying value is based on an agreed price under a contract, except for the portion of units held in Centuria Retail Fund which are not subject to the put and call option. 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.

Note 26: Other financial assets and liabilities (continued)

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

	30 June 2017 $'000	30 June 2016 $'000
Balance at 1 July	-	4,403
Financial assets recognised upon deconsolidation of managed fund	4,579	-
Financial assets consolidated into financial statements	-	(4,012)
Financial assets disposed	-	(391)
Closing balance	4,579	-

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, except for those investments subject to a put and call option. 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 18). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates which are estimated to be in the range of 6.75% to 8.25% and discount rates estimated to be between 7.5% and 9.25% during the previous financial year. 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.

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

	30 June 2017 $'000	30 June 2016 $'000
Net profit for the year	**67,891**	**29,644**
Adjustment for:		
Borrowing cost amortisation	1,610	748
Depreciation	12	15
Net gain on disposal of financial assets	-	(750)
Net gain on disposal of subsidiary	(77,621)	-
Net loss/(gain) on fair value of financial assets	3,823	(14,417)
Net (gain)/ loss on fair value of investment properties	(1,782)	860
Net (gain)/loss on fair value of derivative financial instruments	(1,649)	2,433
Net loss on disposal of investment properties	355	279
Security based payments expense	-	624
Straight-lining of lease revenue and incentives	460	-
Share of equity accounted profits, net of distributions received	(1,203)	-
Transaction costs	5,677	-
Change in assets and liabilities		
Decrease in receivables and prepayments	3,016	5,683
Decrease in creditors and accruals	(2,159)	(5,405)
Net increase in income tax liabilities	18,579	1,195
Net cash inflows from operating activities	**17,009**	20,909

Note 28: Business combinations

There were no business combinations during the year ended 30 June 2017. Business combinations which occurred in the prior year are listed below.

Acquisition of Centuria Havelock House Fund

Summary of acquisition

In May 2016, the Group increased its investment in the Centuria Havelock House Fund (formerly 60 Capital Havelock House Property Trust) from 26.7% to 39.3%. 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 under AASB10 *Consolidated Financial Statements* to control the Trust. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Centuria Havelock House Fund from 4 May 2016.

	30 June 2016 $'000
Fair value of existing investment	3,651
Cash paid - Acquisitions made in May 2016	358
Total purchase consideration	4,009

Note 28: Business combinations (continued)

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	30 June 2016 $'000
Assets	
Cash and cash equivalents	175
Receivables	128
Investment properties	24,900
Liabilities	
Trade and other payables	(129)
Borrowings	(11,647)
Derivative financial instruments	(17)
Exit Fee	(249)
Net identifiable assets acquired including external non-controlling interest	13,161
Less: External non-controlling interest	(9,152)
Net identifiable assets acquired excluding external non-controlling interest	4,009
Add: Goodwill	-
Total purchase consideration	4,009

The fair value of receivables and other financial assets approximates the collectible amount. External non-controlling interest has been calculated at the respective share of net assets.

No goodwill nor bargain on purchase of Centuria Havelock House Fund has been recognised as the additional units purchased by the Group were done so at the current NTA at 4 May 2016.

Revenue and profit contribution

The acquired business contributed revenues of $0.4 million and net gain after tax of $0.06 million to the Group from 1 May 2016 to 30 June 2016. If the acquisition had occurred on 1 July 2015, consolidated total revenue from continuing operations and the consolidated net profit after tax of the acquired business for the year ended 30 June 2016 would have been $2.5 million and $0.9 million respectively. These amounts have been calculated using the Group's accounting policies.

Contingent consideration

There is no contingent consideration as part of this transaction.

Purchase consideration - cash outflow on acquisition

	30 June 2016 $'000
Cash consideration paid	1,165
Less: Cash and cash equivalents acquired	(175)
Outflow of cash to acquire subsidiary - including external non-controlling interest cash	990
Add: Direct costs relating to the acquisition	-
Total cash outflow to acquire subsidiary	990

Acquisition related costs

No acquisition related costs were incurred.

Note 29: Divestment of subsidiary and investments

Summary of divestment transaction

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 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. As at the balance date the Group also has investments in unlisted funds of $53.7 million subject to a put and call agreement with Centuria.

The Group incurred transaction costs of $5.7 million during the year 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:

The settlement of the Transaction occurred on 9 January 2017 and was satisfied by receipt of cash consideration together with a $50.0 million vendor loan advanced to Centuria, which was subsequently repaid on 21 April 2017.

	30 June 2017 $'000
Share sale agreement	101,500
Unit sale agreement – Listed funds	130,284
Unlisted put and call option	58,932
Transaction proceeds	290,716

Net assets divested:

	$'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
Proceeds on settlement	234,313
Net gain on disposal recognised at balance date	77,621

Note 29: Divestment of subsidiary and investments (continued)

Consideration received:

	$'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 was secured by first (and only) ranking security over Centuria's co-investment in TIX. On 21 April 2017, the loan balance of $50.0 million was repaid.

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 prices 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 Centuria Retail Fund and will work together with Centuria to sell this stake down over the option period.

During the year Centuria exercised the call option on all units held in Centuria 441 Murray Street Fund which were settled on 22 March 2017. In May 2017 Centuria called 1.0 million units in Centuria Havelock House Fund which subsequently settled on 6 June 2017, leaving 2.6 million Centuria Havelock House Fund units under the call option at 30 June 2017.

	30 June 2017 $'000
Non-current	
Centuria St George's Terrace Fund	30,544
Centuria Havelock House Fund	3,630
Centuria Retail Fund	19,564
	53,738

Reconciliation of movement since settlement of Transaction:

	Opening Balance $'000	Call Option Exercised $'000	Closing Balance $'000
Non-current			
Centuria St Georges Terrace Fund	30,544	-	30,544
Centuria Havelock House Fund	5,040	(1,410)	3,630
Centuria 441 Murray Street Fund	3,784	(3,784)	-
Centuria Retail Fund	19,564	-	19,564
	58,932	(5,194)	53,738

Note 29: Divestment of subsidiary and investments (continued)

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.

Note 30: Capital commitments and contingencies

Capital commitments
The Group had no capital commitments as at 30 June 2017 (2016: Nil).

Contingencies
There are no contingent liabilities as at 30 June 2017 (2016: Nil).

Note 31: Related party transactions

Parent entity
The legal parent entity is 360 Capital Group Limited.

Controlled entities
Interests in controlled entities are set out in Note 32.

Key management personnel
Key management personnel of the Group include:

Executive director
Tony Robert Pitt, Managing Director

Other KMP
Ben James, Chief Investment Officer
Glenn Butterworth, Chief Financial Officer
Alan Sutton, Company Secretary – Resigned 1 March 2017

Compensation of key management personnel during the year was as follows:

	30 June 2017 $	**30 June 2016 $**
Short-term benefits	3,913,182	1,685,924
Post-employment benefits	61,618	70,938
Termination benefits	108,174	-
Security based payments	123,847	491,349
Total compensation	4,206,821	2,248,211

Further disclosures relating to key management personnel are set out in the Remuneration report.

Note 31: Related party transactions (continued)

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

KMP	Balance at start of ESP grant $	Interest charged in the year $	Payments made during the year $	Balance at end of the year $	Highest indebtness during the year $
Tony Pitt	3,540,000	390,000	(390,000)	3,540,000	3,540,000
Ben James	3,540,000	195,000	(3,735,000)	-	3,540,000
Glenn Butterworth	1,032,500	56,875	(1,089,375)	-	1,032,500
Alan Sutton	601,800	16,575	(618,375)	-	601,800
	8,714,300	658,450	(5,832,750)	3,540,000	8,714,300

The loan provided on the grant date was equivalent to the face value of the securities. All loans were granted on 2 October 2013 and the securities vested on 1 October 2016. 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.

For further information on these loans refer to Note 25.

The following significant transactions occurred with related parties during the 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 (CIML) to 360 Capital FM Limited (CFML) associated with the Company's sale of its fund management platform to Centuria. The change in Responsible Entity was effective from 9 January 2017.

Acquisition of additional units in 360 Capital Total Return Fund

In April 2017, the Group participated in the TOT Institutional Placement and Accelerated Entitlement Offer, acquiring 7,449,415 units for $8.7 million. The Group also purchased additional units in TOT on-market in May 2017 for $0.8 million, bringing its total holding in the Fund to 23.7%.

Interest in Joint venture

During the year, the Group acquired a 50% stake of Australian Mezzanine Finance Pty Limited (AMF) for nominal consideration. AMF will provide alternative lending and structured financing solutions to Australian real estate investors and developers. The other 50% stake is held by 360 Capital Total Return Passive Fund.

Interest in Investment manager

In May 2017, the Group acquired a 75.0% interest in 360 Capital 2017 PERE Pty Limited for nominal consideration. The other 25.0% is held by 360 Capital Total Return Passive Fund. There were no transactions involving the entity during the year.

Transfer of investment

In May 2017, a controlled entity of the Group sold 909,900 IDR units to a related party. The transaction occurred on-market with consideration of $2.0 million.

Loan with related entity

During the year, there was a loan between a controlled entity of the Group, 360 Capital Diversified Property Fund, and a related entity of the Responsible Entity, 360 Capital 2017 Private Equity Real Estate Fund. Interest was charged on the loan in accordance with the loan agreement and the loan was fully repaid within the year.

Note 31: Related party transactions (continued)

Debt advisory services agreement

On 22nd November 2016, CIML as Responsible Entity for Centuria Retail Fund, Centuria 441 Murray Street Fund, Centuria Industrial REIT, Centuria 111 St Georges Terrace Fund, Centuria Havelock House Fund and Centuria Urban REIT, entered into debt advisory services agreements for each respective fund with East West International Capital Pty Ltd (EWIC). EWIC is 50% owned by an entity associated with Tony Pitt. No fees were paid by the funds to EWIC between the time of the agreement being signed and the settlement of the Transaction on 9 January 2017.

Transactions with Directors

From 1 January 2017, a company of which John Ballhausen is a Director and joint owner, entered into a sub-leasing arrangement for office space with a wholly owned subsidiary of the Group on normal commercial terms.

The following significant transactions occurred with related parties during prior years:

Investment in Australian Industrial REIT and conversion into TIX units

During the 2016 financial year TIX completed the acquisition of Australian Industrial REIT (ASX code: 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 year. At the end of prior year 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 prior year.

Responsible Entity fees

360 Capital FM Limited, a wholly owned subsidiary of the Group, acted as Responsible Entity and/or Custodian for a number of managed investment schemes in which the Group also held an investment. 360 Capital Investment Management Limited acted as Responsible Entity and/or Custodian for a number of these schemes until 9 January 2017 when it was sold as part of the Transaction.

A summary of fee income earned during the year from these managed investment schemes is provided below:

	30 June 2017 $	**30 June 2016 $**
Centuria Industrial REIT	3,180,762	5,366,364
Centuria Urban REIT	737,323	1,374,967
360 Capital Total Return Fund	332,027	818,489
Centuria 111 St Georges Terrace Fund	47,514	395,236
Centuria Havelock House Fund	4,361	88,280
Centuria Retail Fund	11,953	17,143
360 Capital AREIT Fund	-	8,407
	4,313,940	8,068,886

Fee income includes Responsible Entity fees, Custodian fees, Performance fees, leasing fees and other recoveries.

Note 31: Related party transactions (continued)

The Responsible Entity is entitled to a management fee calculated in accordance with the Fund's constitution, which is either a percentage per annum of the gross asset value of the Fund or a percentage of the gross rental income of the Fund. The performance fee relate to amounts payable to the Responsible Entity upon the sale of the investment property. The amount payable is based on a percentage of the property sale price and an additional performance fee calculated in accordance with the constitution. Custodian fees are paid and calculated in accordance with the constitution at a rate of 0.05% of the gross assets.

A summary of performance fees receivable from these managed investment schemes is provided below:

	30 June 2017 $'000	**30 June 2016 $'000**
Centuria Havelock House Fund	-	(47,700)
	-	(47,700)

The Responsible Entity agreed to waive its entitlement to acquisition fees from 360 Capital Total Return Fund associated with the acquisition of IDR units during the year as well as disposal fees associated with the sale of IDR units post balance date, on the basis of the Fund's continuing operations post disposal of its main asset.

A summary of distribution income earned during the year from these managed investment schemes is provided below:

	30 June 2017 $	**30 June 2016 $**
Centuria Industrial REIT	3,739,201	6,883,954
Centuria Urban REIT	1,870,592	3,582,297
360 Capital Total Return Fund	1,174,431	559,784
Centuria 111 St Georges Terrace Fund	925,584	-
Centuria Havelock House Fund	230,006	229,579
Centuria Retail Fund	666,014	-
360 Capital AREIT Fund	-	17,500
	8,605,828	11,273,114

For details of the Group's investment in the management investment schemes refer to Note 15.

Note 32: Subsidiaries and controlled entities

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

a) Interest in subsidiaries of 360 Capital Group Limited

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2017 %	Equity Holding 30 June 2016 %
Trafalgar Corporate Pty Limited (TCL)	Australia	Ordinary	100	100
TC Group Developments Pty Limited	Australia	Ordinary	100	100
TC Rhodes Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 2 Lessor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 2 Lessor Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 4 Lessor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 4 Lessor Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 6 Lessor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 6 Lessor Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 6 Contractor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 6 Contractor Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 7 Lessor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 7 Lessor Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 8 Lessor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 8 Lessor Pty Limited	Australia	Ordinary	100	100
TCG Frances Park Pty Limited	Australia	Ordinary	100	100
TC Renewing Homebush Bay Pty Limited	Australia	Ordinary	100	100
TC (RHB) Pty Limited	Australia	Ordinary	100	100
360 Capital FM Limited	Australia	Ordinary	100	100
Trafalgar Twelve Four Finance Pty Limited	Australia	Ordinary	100	100
Trafalgar Twelve Four Note Issuer Pty Limited	Australia	Ordinary	100	100
360 Capital Property Limited	Australia	Ordinary	100	100
360 Capital Financial Services Pty Limited	Australia	Ordinary	100	100
360 Capital RE Pty Limited[2]	Australia	Ordinary	100	100
360 Capital Investment Management Limited [3]	Australia	Ordinary	-	100
Australian Mezzanine Finance Pty Limited [4]	Australia	Ordinary	-	100
360 Capital Custodian No.2 Pty Limited	Australia	Ordinary	100	100
360 Capital PS Management Pty Limited	Australia	Ordinary	100	100
360 Capital Properties No.1 Pty Limited [1]	Australia	Ordinary	-	100
360 Capital Properties No.2 Pty Limited	Australia	Ordinary	100	100
360 Capital Canberra Pty Limited [1]	Australia	Ordinary	-	100
BDIF Nominees Pty Limited [1]	Australia	Ordinary	-	100
ACN 062 671 872 Pty Limited [1]	Australia	Ordinary	-	100

[1] In January 2017 the Group sold its 100% interest in these entities as part of the Transaction.

[2] Changed to a proprietary company during the year.

[3] Company sold as part of the Transaction and changed name to Centuria Property Funds No.2 Limited post sale.

[4] Changed name from BOPT Finance Pty Limited during the year and became a joint venture.

Note 32: Subsidiaries and controlled entities (continued)

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2017 %	Equity Holding 30 June 2016 %
360 Capital Institutional Investment Limited [1]	Australia	Ordinary	-	100
360 Capital CMBS Pty Limited	Australia	Ordinary	100	100
BRPTS Portfolio No.1 Pty Limited	Australia	Ordinary	100	100
BRPT Finance Pty Limited	Australia	Ordinary	100	100
360 Capital 2017 PERE Pty Limited	Australia	Ordinary	75	-

[1] In January 2017 the Group sold its 100% interest in these entities as part of the Transaction.

b) Interest in controlled entities of 360 Capital Investment Trust

360 Capital Investment Trust (stapled entity)	Australia	Ordinary	100	100
Trafalgar Opportunity Fund No. 4	Australia	Ordinary	100	100
360 Capital Trust	Australia	Ordinary	100	100
360 Capital Retail Fund	Australia	Ordinary	100	100
360 Capital Diversified Property Fund	Australia	Ordinary	100	100
360 Capital Finance Trust	Australia	Ordinary	100	-

c) Interest in controlled entities with material non-controlling interest

Centuria 111 St Georges Terrace Fund [2]	Australia	Ordinary	-	44.4
360 Capital Subiaco Shopping Centre Property Trust [3]	Australia	Ordinary	-	39.8
Centuria 441 Murray Street Fund [2]	Australia	Ordinary	-	35.6
Centuria Retail Fund [2]	Australia	Underwrite	-	66.4
Centuria Havelock House Fund [2]	Australia	Ordinary	-	39.5

[1] In January 2017 the Group sold its 100% interest in these entities as part of the Transaction.

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

[3] Fund was wound up during the year.

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 29 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.

Note 32: Subsidiaries and controlled entities (continued)

Centuria 111 St Georges Terrace Fund (formerly 360 Capital 111 St George's Terrace Property Trust): As a result of the Transaction, the Group's co-investment stake in Centuria 111 St Georges Terrace Fund 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 Group's results as at 30 June 2017.

Summarised financial information for the trust is as follows:

	30 June 2017 $'000	30 June 2016 $'000
Current assets	-	1,884
Total assets	-	141,984
Current liabilities	-	2,303
Total liabilities	-	73,175
Total revenue	-	13,298
Total comprehensive income for the year	-	6,492
Net cash inflow from operating activities	-	6,263
Distributions paid to non-controlling interests	-	3,268

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

	30 June 2017 $'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 32: Subsidiaries and controlled entities (continued)

360 Capital Subiaco Shopping Centre Property Trust: On 30 November 2016, the Group settled Subiaco Square Shopping Centre, Perth, WA for a gross sale price of $38.4 million. The fund has since been wound up.

Summarised financial information for the trust is as follows:

	30 June 2017	30 June 2016
	$'000	$'000
Current assets	-	38,878
Total assets	-	38,878
Current liabilities	-	675
Total liabilities	-	14,807
Total revenue	-	24,071
Total comprehensive income for the year	-	6,855
Net cash inflow from operating activities	-	1,260
Distributions paid to non-controlling interests	-	663

Note 32: Subsidiaries and controlled entities (continued)

Centuria 441 Murray Street Fund (formerly 360 Capital 441 Murray Street Property Trust): As a result of the Transaction, the Group's co-investment stake in Centuria 441 Murray Street Fund 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 Group's results as at 30 June 2017.

Summarised financial information for the trust is as follows:

	30 June 2017 $'000	30 June 2016 $'000
Current assets	-	419
Total assets	-	22,419
Current liabilities	-	11,232
Total liabilities	-	11,782
Total revenue	-	3,009
Total comprehensive income for the year	-	(1,994)
Net cash inflow from operating activities	-	1,696
Distributions paid to non-controlling interests	-	1,105

The impact of the deconsolidation is detailed in the table below

	30 June 2017 $'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 32: Subsidiaries and controlled entities (continued)

Centuria Retail Fund (formerly Capital Retail Fund No.1): As a result of the Transaction, the majority of the Group's co-investment stake in Centuria Retail Fund 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 Group's results as at 30 June 2017.

Summarised financial information for the trust is as follows:

	30 June 2017 $'000	30 June 2016 $'000
Current assets	-	1,080
Total assets	-	72,480
Current liabilities	-	871
Total liabilities	-	37,130
Total revenue	-	7,994
Total comprehensive income for the year	-	(2,267)
Net cash inflow from operating activities	-	3,888
Distributions paid to non-controlling interests	-	1,025

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

	30 June 2017 $'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 32: Subsidiaries and controlled entities (continued)

Centuria Havelock House Fund (formerly 360 Capital Havelock House Property Trust): As a result of the Transaction, the Group's co-investment stake in Centuria Havelock House Fund 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 Group's results as at 30 June 2017.

Summarised financial information for the trust is as follows:

	30 June 2017 $'000	30 June 2016 $'000
Current assets	-	127
Total assets	-	25,327
Current liabilities	-	194
Total liabilities	-	12,398
Total revenue	-	2,534
Total comprehensive income for the year	-	912
Net cash inflow from operating activities	-	1,413
Distributions paid to non-controlling interests	-	102

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

	30 June 2017 $'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 33: Deed of cross guarantee

360 Capital Group Limited and its wholly owned subsidiary, 360 Capital Property Limited (CPL), are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, CPL has been relieved from the requirement to prepare financial statements and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. The effect of the feed is that the Group has guaranteed to pay any deficiency in the event of winding up of a subsidiary if they do not meet their obligations under the terms of overdrafts, loans, leases, or other liabilities subject to the guarantee. The subsidiaries have also given a similar guarantee in that in the event that the Group is wound up or does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

Consolidated balance sheet for the closed group:

	30 June 2017 $'000	30 June 2016 $'000
Current assets	59,678	9,142
Non-current assets	74,139	73,733
Total assets	**133,817**	82,875
Current liabilities	180	76
Non-current liabilities	67,430	77,326
Total liabilities	**67,610**	77,402
Net Assets	**66,207**	5,473
Issued capital	1,760	4,526
Security based payments reserve	1,833	1,082
Retained earnings/(Accumulated losses)	62,614	(135)
Total equity	**66,207**	5,473

Consolidated income statement for the closed group:

	30 June 2017 $'000	30 June 2016 $'000
Profit from Continuing operations before income tax	80,022	1,054
Income tax	(22,006)	(316)
Profit after tax from continuing operations	58,016	738
Loss after tax from discontinued operation	-	-
Net profit for the year	**58,016**	738
Retained earnings at the beginning of the year	7,068	6,329
Dividends provided for or paid	-	-
Aggregate amounts transferred to reserves	-	-
Retained earnings at the end of the year	7,068	7,067

Note 34: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Group Limited.

	30 June 2017 $'000	30 June 2016 $'000
Current assets	59,174	461
Non-current assets	65,555	57,888
Total assets	**124,729**	58,349
Current liabilities	180	76
Non-current liabilities	57,971	57,424
Total liabilities	**58,151**	57,500
Issued capital	-	2,766
Security based payments reserve	1,833	1,082
Retained earnings/(Accumulated losses)	64,745	(2,999)
Total equity	**66,578**	849
Net profit for the year	75,027	500
Total comprehensive income for the year	**75,027**	500

Parent entity contingencies

360 Capital Group Limited and its wholly owned subsidiary, 360 Capital Property Limited (CPL), are parties to a deed of cross guarantee, refer to Note 33 for further information. There are no other contingencies at 30 June 2017 (2016: Nil).

Note 35: Events subsequent to balance date

Subsequent to balance date, the Group exited its investment in Industria REIT for $4.8 million.

In July 2017, the Group announced an indicative, non-binding proposal to purchase the remaining securities it did not own in Asia Pacfic Data Centre Group. The Group is currently undertaking due diligence and continues to discuss this opportunity with a number of possible partners.

Post balance date, on 2 August 2017, the Group issued 11.3 million securities at $0.98 per security as part of the Employee Share Plan (ESP), increasing the number of securities on issue to approximately 225.9 million.

No other circumstances have arisen since the end of the 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.

Note 36: Statement of significant accounting policies

a) Changes in accounting policy

There were no changes to the Group's accounting policies for the financial reporting year commencing 1 July 2016. The policies of the Group are consistent with the prior year.

b) Basis of consolidation

Stapling
In 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.

Business combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then a gain on bargain purchase is recognised in the statement of profit or loss within the year of the acquisition.

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and Trust as at 30 June 2017 and the results of all subsidiaries for the year then ended.

b) Basis of consolidation (continued)

Subsidiaries are entities controlled by the Company and Trust. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Investments in associates and joint ventures
Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The Group's share of net profit or loss is recognised in the statement of profit or loss from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

c) 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.

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.

d) Revenue recognition

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

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

d) Revenue recognition (continued)

Funds management fees
Management, custodian and deferred exit fee revenue is recognised in accordance with the entitlement to fees for the management service provided.

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

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

e) Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as current provisions in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled beyond 12 months are discounted back to their net present value.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on commercial bond rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Bonus entitlements
A liability is recognised for employee benefits in the form of employee bonus entitlements which are determined before the time of completion of the financial report. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Refer to Note 25(c) for further detail.

f) Finance expenses

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

g) Income tax

<u>Companies</u>
Income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction and deferred tax expense calculated by reference to changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and

laws) that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

<u>Trusts and Funds</u>
Under current Australian income tax legislation, the Trusts and Funds in the Group are not liable for income tax provided their taxable income and taxable capital gains are fully distributed to unitholders each year. Accordingly, income tax amounts disclosed in this financial report relate only to the companies within the Group.

<u>Tax consolidation</u>
The Company and its wholly owned entities formed a tax consolidated group with effect from 1 July 2005.

h) Impairment of assets

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

<u>Intangible assets</u>
Intangible assets with indefinite useful lives are tested for impairment semi-annually at the Cash Generating Unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Restricted cash is separately disclosed and is based on a calculation to meet the Australian Financial Services Licence net tangible asset requirements.

j) Receivables

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

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

k) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: “Receivables” and “Financial assets at fair value through profit or loss”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the Group’s documented investment strategy. The Group’s policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of profit or loss within income or expenses in the period in which they arise. Dividend/distribution income from financial assets at fair value through profit and loss is recognised in the statement of profit or loss as part of revenue from continuing operations when the Group’s right to receive payments is established.

k) Financial instruments (continued)

Receivables
Refer to Note 36(j).

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out in Note 36(n) and Note 36(q) below.

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

l) Assets held for sale

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

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

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

Investment properties which are classified as held for sale are carried at fair value as the measurement provisions of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* do not apply to investment properties.

Impairment losses determined at the time of initial classification of the non-current asset as held for sale are included in the statement of profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

m) Investment properties

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

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

n) Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. The significant interest rate risk arises from bank borrowings. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The net fair value of all derivative financial instruments outstanding at the statement of financial position date is recognised in the statement of financial position as either a financial asset or liability.

The Directors have decided not to use the option in AASB 139: *Financial Instruments: Recognition and Measurement* to classify the interest rate swaps as cash flow hedges and accordingly these are classified as at fair value through profit or loss, and the changes in the fair value of the derivative financial instruments are recognised in the statement of profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the statement of financial position date, taking into account current and future interest rates and the current credit worthiness of the swap counterparties.

o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Class of Fixed Asset	Depreciation Rate
Computer, office equipment, fixtures	2.5% - 33.3%

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

p) Trade and other payables

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

q) Borrowings

Interest bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

q) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Transaction costs are amortised over the term of the borrowing and the balance of transaction costs is amortised immediately upon a borrowing being substantially renegotiated, refinanced or repaid in full.

r) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

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

s) Issued capital

Issued capital represents the amount of consideration received for stapled securities issued by the Group. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

u) Accounting standards issued but not yet effective

The following new accounting standards have been issued, but are not mandatory as at 30 June 2017. They are available for early adoption, but have not been applied in preparing these financial statements. The Group plans to adopt these standards on the effective date. The impact of these new standards are as follows:

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

u) Accounting standards issued but not yet effective (continued)

- AASB 16 *Leases (Effective January 1, 2019).* This standard establishes the enhanced reporting requirements of the Lessee and lessor when entering into Leases. This is not expected to materially impact the Group's financial statements

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

- AASB 2016-2 *Disclosure Initiative: Amendments to AASB 107 (Effective January 1, 2017)*
- AASB 2017-2 *Further Annual Improvements 2014-2016 Cycle (Effective January 1, 2017)*

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

In the opinion of the Directors of 360 Capital Group:

1) The consolidated financial statements and notes that are set out on pages 29 to 92, and the Remuneration report contained in the Directors' report on pages 11 to 24, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

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

2) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

3) There are reasonable grounds to believe that the members of the closed group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 33.

4) The Directors have given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2017.

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

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

Tony Robert Pitt
Director

Graham Ephraim Lenzner
Director

Sydney
17 August 2017

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Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the security holders of 360 Capital Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 360 Capital Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. **Disposal of 360 Capital Investment Management Limited ('CIML')**

Why significant	How our audit addressed the key audit matter
On 23 November 2016, the Group entered into a transaction to sell 360 Capital Management Investment Management Limited (CIML) as well as its co-investment stakes in certain unlisted funds managed by CIML to Centuria Capital Group (CNI). The transaction settled on 9 January 2017. The sale of the Group's equity interest in the unlisted managed funds as a result of the transaction noted above is subject to a two-year put and call option with CNI at a pre-agreed price. This is a key audit matter due to the significance of the transactions and judgments involved in determining the effective transaction date and treatment of the investment in funds subject to the put and call option in accordance with Australian Accounting Standard – AASB 10 *Consolidated Financial Statements* and AASB 139 *Financial Instruments Recognition and Measurement*. Disclosure of the disposal is included in note 29 to the financial report.	Our procedures included the following: ▸ We considered whether the Group's treatment of the transaction in the financial report reflected our understanding of the underlying agreements, including with reference to the residual assets held and the tax consequences of the transaction; ▸ In particular, we considered the changes with respect to the Group's decision making power and entitlement to profits from the managed funds subject to the put and call options and the impact of the transaction on how the investments are recognised and measured; and ▸ We assessed the adequacy of the Group's disclosure with respect to the transaction.

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2. Investment in Asia Pacific Data Centre Group

Why significant	How our audit addressed the key audit matter
The Group holds a 19.9% equity investment in Asia Pacific Data Centre Group. The Group does not have significant influence nor control over this entity. The investment is measured at fair value, with movements recorded through the consolidated statement of comprehensive income. Given the judgment involved in assessing whether the Group has significant influence or control over the entity in accordance with the principles under Australian Accounting Standards - *AASB 128 Investments in Associates and Joint Ventures and* AASB 10 *Consolidated Financial Statements* we considered this to be a key audit matter. Disclosure of investments not controlled by the Group is included in note 15 to the financial report.	Our procedures included the following: ▸ We considered the Group's assessment of its influence and/or control with respect to the investment and the consequent application of the relevant accounting standards; ▸ We agreed the total number of units held at balance date to unitholding certificates; ▸ We assessed the unit price of the entity against the Australian Securities Exchange listed price as at 30 June 2017; ▸ We recalculated the fair value by multiplying the number of units held by the unit price; and We evaluated the financial report classification and disclosure of the investment in the fair value hierarchy for financial instruments.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 24 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of 360 Capital Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
17 August 2017

Information below was prepared as at 9 August 2017.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
TT INVESTMENTS PTY LTD	26,141,159	11.57
HSBC CUSTODY NOMINEES	25,257,934	11.18
J P MORGAN NOMINEES AUSTRALIA	18,204,990	8.05
NATIONAL NOMINEES LIMITED	16,720,961	7.40
PENTAGON FINANCIAL SERVICES	13,579,009	6.01
UBS NOMINEES PTY LTD	12,906,916	5.71
WYLLIE GROUP PTY LTD	12,474,576	5.52
RBC INVESTOR SERVICES	10,509,891	4.65
MR TONY PITT	9,000,000	3.98
180 CAPITAL INVESTMENTS	7,000,000	3.09
CITICORP NOMINEES PTY LIMITED	4,635,077	2.05
TT INVESTMENTS PTY LTD	4,500,000	1.99
BOND STREET CUSTODIANS LIMITED	4,000,000	1.77
MR JAMES STOREY	4,000,000	1.77
HSBC CUSTODY NOMINEES	3,534,657	1.56
MR GLENN BUTTERWORTH	3,000,000	1.32
PRUDENTIAL NOMINEES PTY LTD	2,500,000	1.10
NATIONAL EXCHANGE PTY LTD	1,346,201	0.59
GEMTRICK PTY LTD	1,145,763	0.50
PERSHING AUSTRALIA NOMINEES	1,128,878	0.49
Total Securities held by Top 20 security holders	**181,586,012**	**80.38**
Total Securities on issue	**225,902,516**	**100.00**

b) Distribution of securityholders:

Number of securities held by securityholders	Number of holders	Securities held	% of issued securities
1 to 1,000	183	55,053	0.02
1,001 to 5,000	272	830,221	0.37
5,001 to 10,000	234	1,948,563	0.86
10,001 to 100,000	718	22,759,143	10.08
100,001 and over	82	200,309,536	88.67
Totals	**1,489**	**225,902,516**	**100.00**

The total number of securityholders with less than a marketable parcel was 133 and they hold 10,265 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
Mr Tony Pitt	3/08/17	60,750,000	26.89
First Samuel Limited	28/03/17	14,623,503	6.81
LHC Capital Partners Pty Ltd	28/03/17	14,242,496	6.64
Investors Mutual Ltd	8/06/16	14,884,633	6.21
Wylie Group Pty Ltd	2/10/13	12,474,576	5.52
Paradice Investment Management Pty Ltd	28/03/17	11,393,955	5.31

Term	Definition
$ or A$ or cents	Australian currency
360 Capital Investment Trust	The managed investment trust (ARSN 104 872 844) that represents part of the stapled entity, 360 Capital Group
360 Capital Group Limited	The company (ABN 18 113 569 136) that represents part of the stapled entity, 360 Capital Group
360 Capital, 360 Capital Group	360 Capital Group, the stapled entity comprising 360 Capital Investment Trust and 360 Capital Group Limited
AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the market operated by it as the context requires
ASX Guidelines	The ASX Principles of Good Corporate Governance and Best Practice Guidelines
Board	Board of Directors of the Company/Group
CGT	Capital gains tax
Constitution	The constitution of the Fund, as amended
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer price index
Cps	Cents per Security
Director/s	A director of the Group
Distribution yield	Rate of return derived by dividing distribution per Unit by the price
Earnings yield	Rate of return derived by dividing earnings per Unit by the price
FOS	Financial Ombudsman Service
Fund Investment Committee	The committee established to oversee the Fund's investments, key recruitment and policies
FY	Financial year (1 July to 30 June)
Gross Passing Income	The actual income being paid for a property by existing tenants
Gross Proceeds	The aggregate of all moneys (including all rent, licence fees, outgoings and all other amounts) received from tenants and other occupants and users of the real property assets (held directly or indirectly) of the Fund
Group	360 Capital Group, the stapled entity comprising 360 Capital Investment Trust and 360 Capital Group Limited
GST	Goods and services tax (Australia)
HY	Half Year (half year from 1 July to 31 December or 1 January to 30 June)
ICR	Interest Cover Ratio meaning net rent received divided by interest expense incurred on the facility
IFRS	International Financial Reporting Standards
Lender(s)	NAB and Bankwest
LVR	Loan to value ratio meaning interest bearing liabilities (excluding 360 Notes) divided by total property values
NLA	Net lettable area
NPI	Net property income
NTA	Net tangible assets as per the balance sheet
NTA per Unit	Net tangible assets divided by the number of Units on issue
Operating earnings	Operating earnings is statutory net profit adjusted for non-cash and significant items
p.a.	Per annum
Property/ies	A property or properties owned or to be owned by the Group
Responsible Entity	360 Capital FM Limited (ABN 15 090 664 396, AFSL 221474)
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
YTD	Year to date

Parent Entity
360 Capital Group Limited
ACN 113 569 136
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone (02) 8405 8860 Email: investor.relations@360capital.com.au

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

Executive Director
Tony Robert Pitt (Managing Director)

Officers
Ben James - Chief Investment Officer
Glenn Butterworth - Chief Financial Officer
Jennifer Vercoe - Company Secretary

Share & Unit Registry
Boardroom Pty Limited
ACN 003 209 836
Grosvenor Place, Level 12, 255 George Street Sydney NSW 2000
Telephone 1300 082 138 Email: enquiries@boardroomlimited.com.au

Auditor
Ernst & Young
200 George Street Sydney NSW 2000

Website
www.360capital.com.au