ASX Release | Appendix 4E

360 Capital Group

For the year ended 30 June 2018

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 2018. 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 2018 is attached and forms part of this Appendix 4E.

Details of reporting period:

Current reporting period: 1 July 2017 – 30 June 2018

Prior corresponding period: 1 July 2016– 30 June 2017

Results announcement to the market:

	30 Jun 2018 $'000	30 Jun 2017 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	32,994	113,654	(80,660)	(71.0)
Profit attributable to stapled securityholders for the year	16,181	63,580	(47,399)	(74.6)
Operating profit [1]	10,690	13,243	(2,553)	(19.3)

[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 2018 Cents per security	30 Jun 2017 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic	7.8	29.5	(21.7)	(73.6)
Earnings per security – Diluted	7.2	27.7	(20.5)	(74.0)
Operating profit per security	5.0	6.1	(1.1)	(18.0)

For the year ended 30 June 2018

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	0.75	1,695	26 Oct 2017
December quarter distribution	0.75	1,703	30 Jan 2018
March quarter distribution	2.00	4,542	27 Apr 2018
June quarter distribution	2.00	4,570	27 July 2018
Total distribution for the year ended 30 June 2018	**5.50**	**12,510**	
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**	

Net tangible asset per security:

	30 Jun 2018 $	30 Jun 2017 $
NTA per security [2]	0.97	0.95

[2] The number of securities on issue on the Australian Stock Exchange (ASX) at 30 June 2018 is 228.5 million (June 2017: 214.6 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 210.0 million (June 2017: 207.2 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 30 Subsidiaries and Controlled Entities of the Financial Report.

Details of Associates and Joint Venture Entities:

Refer to Note 17 Investments Accounted for using the Equity Method of the Financial Report.

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360 CAPITAL GROUP

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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: TGP) for the year ended 30 June 2018. 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 principal activities were focused on the following core business segments representing:

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

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

Operating and financial review

Key financial highlights for the year ended 30 June 2018

Statutory net profit attributable to securityholders $16.2m (2017: $63.6 million)	Statutory net profit attributable to securityholders of 7.8 cps (2017: 29.5 cps) 73.6% lower than prior year reflecting gain on sale of fund management business of $77.6 million less $18.3 million tax expense in 2017
Operating profit $10.7m (2017: $13.2 million)	Operating profit[1] reduction of 18.0% to 5.0 cps[2] (2017: 6.1cps) due to sale of funds management business and co-investments in 2017 and re-deployment of proceeds across the year
Distributions per security 5.5 cps (2017: 6.5 cps)	Distributions of 5.5 cps reduced from 6.5 cps reflecting a decrease in operating income for the year
Net tangible assets $0.97 per security (2017: $0.95 cps)	Net tangible assets (NTA)[3] increase of 2.1% driven by revaluation gains on investments
ASX closing price $1.02 per security (2017: $0.97)	Increase in security price reflecting market support for implementation of Group's strategic initiatives

1 Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider operating profit to reflect the core earnings of the Group and it is used as a guide to assess the Group's ability to pay distributions to securityholders. The operating profit has not been subject to any specific audit procedures by the Group's auditor but has been extracted from Note 3: Segment reporting.

2 Operating diluted EPS represents operating profit plus 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 refer Note 3: Segment reporting.

3 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, including ESP securities refer Note 3: Segment reporting.

Operating and financial review (continued)

Key operational achievements for the year ended 30 June 2018

Capital Reallocation

$47.7m

Released franking credits of 7.97 cps

Completed Capital Reallocation to rebalance the capital between the Trust and the Company and provide the Trust with the necessary capital to carry out its investment strategy

Disposed unlisted investments

$13.6m

Centuria options

Settled a further $13.6 million of unlisted units under option with Centuria with an additional $39.8 million to be settled in FY19

Building active revenue streams through AMF

2%

Establishment fee

Group through its 50% ownership in AMF Finance will benefit from active revenue streams in the form of establishment fees on loan transactions

AJD Acquisition

$142.2m

Strategic acquisition delivers growth

Completed the acquisition of 67.3% of Asia Pacific Data Centre Group (ASX: AJD) for $142.2 million, now valued at $156.5 million

Group Overview

During the financial year, the Group deployed a large portion of its capital into Asia Pacific Data Centre Group, an investment in in a real estate asset class demonstrating strong fundamentals. As at 30 June 2018, the Group's 67.3% stake in AJD was worth $156.5 million.

The other main activity of the Group during the year was the launch and subsequent organic growth of the real estate credit business, AMF Finance Pty Limited (AMF). AMF is a joint venture between the Group and 360 Capital Total Return Fund (ASX: TOT).

The Group continues to diversify its capital sources to generate funds management and finance fee revenues as well as growing its revenue streams through co-investing. Our three key areas:

- Public Capital – 360 Capital Total Return Fund
- Private Capital – Partnerships / Platform Creation
- Debt Capital – Debt financing and management

Operating and financial review (continued)

Real estate equity investment in sectors providing superior returns

The Group has two core equity investments totalling $174.8 million. These interests are comprised of a 23.7% interest in 360 Capital Total Return Fund and a 67.3% interest in Asia Pacific Data Centre Group.

The Group also has exposure to real estate credit activities through its $18.6 million investment in TOT. During FY18, TOT committed or deployed the majority of its capital into real estate credit activities and now has a loan book of $111.0 million.

The other real estate growth sector the Group has gained exposure to is the data centre sector. In May 2017, the Group made an initial 19.9% investment in AJD and subsequently made a full cash takeover. At the close of the takeover, the Group owned a total of 67.3% of securities on issue with a total value of $156.6 million as at 30 June 2018.

The AJD portfolio comprises 3 data centres located in Sydney, Melbourne and Perth all leased to NEXTDC Limited (ASX: NXT) on triple net leases with an average weighted average lease expiry of 10.3 years. AJD has low gearing of 9.2%.

Post the takeover by 360 Capital, NEXTDC called a securityholder meeting to wind up the Trust of AJD. The Group has initiated proceedings in the Supreme Court of NSW seeking a declaratory relief that it is entitled to vote on a windup. The Group is awaiting the result of these hearings.

The Group notes that AJD announced it has conducted a strategic review of its operations and market positioning in the data centre industry and may consider expanding its activities to include developing and operating data centres. The Group is supportive of this strategy given AJD's current inefficient balance sheet, growth opportunities available in the data centre sector, and the potential re-rating through AJD becoming an active participant in the Asia Pacific data centre market.

Real estate debt investment

Given the Group's views on the market for traditional direct ownership of real estate assets in Australia, the Group is focused on expanding into real estate credit activities. As the Australian Prudential Regulation Authority (APRA) continues to place restraints on the Australian banks capital allocation to certain property sectors, the Group sees real estate debt investment as a strong growth area.

The Group is targeting to be a major participant in lending within the Australian commercial real estate marketplace and expects these activities to be a major contributor to revenue growth for the Group through establishment fees, management fees and direct return though co-investment with its partners and TOT.

During the year, the Group activated its real estate credit activities through AMF, the Group's joint venture with TOT. AMF has originated $111.0 million in loans, all of which have been funded through TOT to-date. The loans are typically senior first mortgages between $5.0 million to $35.0 million generating an investment return of (IRR) between 12%- 17% p.a.

AMF receives all establishment fees, typically 2% of the total loan facility, from lending activities. AMF's pipeline continues to grow, driven by AMF's broker accreditation program, direct developer relationships, and the Australian banks seeking to "partner" with institutional non-bank capital.

Operating and financial review (continued)

Non-core investments

Centuria Capital Group (Centuria) exercised a total of $13.6 million in call option units during FY18. The balance of these unlisted investments is under put and call options, totalling $39.8 million comprising:

- $20.3 million of units in Centuria 111 St Georges Terrace Fund which is under a put and call option providing the Group with a 7.5% p.a. guaranteed return until its put option date which has been extended to June 2019; and
- $19.5 million in Centuria Retail Fund, which is under a put and call option providing the Group with a 7.5% p.a. guaranteed return until its put option date in January 2019. Centuria have issued a notice of meeting to wind up this fund - this may result in the proceeds of the units, at the put option price, being paid prior to January 2019.

The Group has a further $4.2 million in Centuria Retail Fund which is not under a put option agreement and the Group is supportive of Centuria's windup strategy which will provide a defined realisation strategy for these units.

Capital sources

To fund the Group's growth, management continues to diversify its capital sources and now has access to the following sources of capital:

Public Capital	-	360 Capital Group
	-	360 Capital Total Return Fund
	-	360 Capital Mortgage REIT (currently under consideration)
Private Capital	-	High net worth individuals
	-	Family offices
	-	Private equity – Australian and overseas institutional capital
Debt Capital	-	Strong relationships with Banks
	-	Growing network of overseas banks
	-	Private debt capital

The Group has commenced diversifying its capital sources within the real estate credit sector, offering individual loans to high net worth investors through a series of unlisted funds.

Furthermore, the Group is working with several institutional clients on providing deal opportunities, and some groups are undertaking due diligence on loans currently being originated by AMF.

Capital management

The Group entered a $20.0 million unsecured corporate facility for 2 years in September 2017 to partly fund the AJD takeover, the loan was fully drawn in November 2017.. The Group is targeting to repay the facility by January 2019 using the proceeds of the options with Centuria.

In August 2017, the Group issued 12.5 million securities at $0.98 per security under a three-year employee security plan with a total shareholder return (TSR) performance hurdle of 12% p.a. over the vesting period of 3 years. As part of this issue, the Group also provided staff with limited recourse loans for $12.3 million.

As a result of the Group's sale of the majority of its funds management business to Centuria, the Group undertook a capital reconstruction to rebalance the capital between the Trust and the Company. This reconstruction included the payment by the Group of a fully franked special dividend of 21.01 cps (franking rate of 27.5%) which allowed the release of 7.97 cps in franking credits as well the reinvestment of the cash component to provide a 21.01 cps increase to securityholders cost base. The Group's capital structure rebalancing provided the Trust with the necessary capital base to carry out its strategy of making real estate debt and equity investments in line with the Group's growth strategy.

Operating and financial review (continued)

For the March and June 2018 quarter distribution, the Group turned on its DRP, raising a total of $2.8 million and issued 2.8 million securities. During the year, the Group paid corporate tax of $18.3 million resulting from the $77.6 million profit in FY17 from the sale of the management rights to Centuria.

Summary and Outlook

The 360 Capital Group will continue to be patient and diligent with its capital and continue to monitor opportunities, look at growing revenue streams without using the Group's capital, and continue to be opportunistic in the Group's approach to creating value for our investors. The Group will look to grow its non-bank lending activities with the aim that AMF to becomes a major real estate credit provider and continue to expand and diversify its capital sources to accommodate the expansion of non-bank lending.

The Group will focus on increasing the size of TOT's capital base to improve liquidity, diversify TOT's loan book and grow TOT's earnings. As a securityholder, the Group supports the growth plans outlined by AJD to improve the Group's returns from capital deployed into the data centre sector.

Risks

The key risk areas that could impact the Group's ability to achieve its strategic objectives and impact its prospects for future years include regulatory, operational and market risks. The Group is subject to regulatory and licencing conditions including in relation to its funds management activities, any breach of these conditions could result in additional costs and restrictions imposed by regulators and could significantly impact the Groups ability to operate its funds and service its investors. The Group has always maintained a strict regulatory compliance framework and continually monitors its licence and regulatory compliance.

The growth of the Groups real estate credit activities has meant the Group has exposure to additional risks. To date the non-bank commercial lending market has remained substantially unregulated by government authorities, however this may change in the future. The Group believes increased regulation provides opportunities as it potentially improves the quality of participants in the sector and assists in providing a level playing field for lenders and borrowers operating in this space.

The Group has also spent time and resources recruiting the expertise and developing appropriate systems to ensure that risks of potential financial loss from loans defaults are largely mitigated both from an operational and market perspective. The Group mitigates these risks by ensuring that there are appropriate due diligence and approval processes on loans originated and that the viability of the real estate projects financed is such that they are substantially protected from changing market and economic conditions.

Dividends and distributions

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

Distributions	30 June 2018 $'000	30 June 2017 $'000
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 unit paid on 27 April 2017	-	3,487
1.625 cents per unit paid on 27 July 2017	-	3,488
0.75 cents per unit paid on 26 October 2017	1,695	-
0.75 cents per unit paid on 30 January 2018	1,703	-
2.00 cents per unit paid on 27 April 2018	4,542	-
2.00 cents per unit paid on 27 July 2018	4,570	-
	12,510	14,762

On 31 January 2018 the Company paid a fully franked dividend of 21.01 cps which was reinvested into the Trust as part of the Capital Reallocation (2017: Nil).

Dividends	2018 $'000	2017 $'000
21.01 cents per share fully franked special dividend	47,714	-
	47,714	-

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

The Group will continue to focus on growing its listed investments, its funds management and debt arranging business together with investigating new partnering and private capital opportunities.

Information on Directors and Key Management Personnel

Directors

David van Aanholt – Independent Chairman
David has close to 30 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). 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. David is Chairman of the ASX listed Asia Pacific Data Centre Group and is on the Council of the University of New England. David 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 is a principal of Quay Fund Services providing responsible entity and trustee services to fund managers.

John established 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 HIH Insurance, with responsibility for more than $3 billion of funds across fixed interest, equities and property asset classes.

John is also a non-executive Director of Arctic Intelligence. He 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 and General Manager Finance and Investments of MMI Insurance 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 and a non-executive Director of TZ Limited.

Directors (continued)

Andrew Graeme Moffat – Non-Executive Independent Director
Andrew has in excess of 23 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 is also a non-executive Director of Pacific Star Network Limited. His past public company directorships include Rubik Financial Limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.

Senior Management

Glenn Butterworth – Chief Financial Officer
Glenn Butterworth is a key executive within the business and is responsible for all 360 Capital's financial management activities. Glenn joined 360 Capital from Mirvac Group where he 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 several 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.

Jennifer Vercoe – Company Secretary
Jennifer has worked in finance and funds management within the commercial property industry since 2001. She was appointed Company Secretary of 360 Capital Group in February 2017 and has worked alongside 360 Capital Group since 2015 as Financial Controller of TT Investments. Prior to this, she held finance and funds management roles at Stockland, Valad Property Group and AMP Capital.

Jennifer is a Chartered Accountant and has a certificate in Applied Finance and Bachelors of Commerce and Business Administration from Macquarie University.

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		Independent Board Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Director								
David van Aanholt	11	11	-	-	-	-	-	-
Tony Robert Pitt	10	11	-	-	3	3	-	-
William John Ballhausen	11	11	3	4	-	-	3	3
Graham Ephraim Lenzner	10	11	4	4	3	3	3	3
Andrew Graeme Moffat	8	11	4	4	3	3	3	3

In December 2017 an Independent Board Committee was established to oversee matters relating to the Group's investment in AJD.

Remuneration report (audited)

The Remuneration Report for the year ended 30 June 2018 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).

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

(ii) Executive director
Tony Robert Pitt, Managing Director

(iii) Other KMP
Glenn Butterworth, Chief Financial Officer
Ben James, Chief Investment Officer – resigned 31 October 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

Remuneration Committee
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 2018 financial year.

Remuneration report approval at 2017 Annual General Meeting (AGM)
The remuneration report for the year ended 30 June 2017 received positive securityholder support at the AGM with a vote of 96.72% 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 2018, 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. The STI components in in 2017 were significantly higher than usual reflecting the one-off transaction bonuses paid relating to the completion of the Centuria Transaction in that year.

		Fixed remuneration	STI	LTI
Tony Pitt - Managing Director	**2018**	88.1%	- %	11.9%
	2017	27.7%	69.9%	2.3%
Glenn Butterworth - Chief Financial Officer	**2018**	78.0%	- %	22.0%
	2017	33.2%	65.2%	1.6%
Former Executives				
Ben James - Chief Investment Officer	**2018**	100.0%	- %	- %
(resigned - 31 October 2017)	2017	28.6%	66.4%	5.6%
Alan Sutton - Company Secretary	**2018**	-	-	-
(resigned - 1 March 2017)	2017	91.4%	4.5%	4.2%

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 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 sale of the majority of the Group's funds management platform and co-investment stakes in 2017. The alternate use of relative TSR is challenging due to identifying a comparable group of ASX listed companies that are of a similar size, industry sector and transitional phase, 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 8% per annum target. 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 2018

Fixed remuneration
For the year ended 30 June 2018 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 2018 was 10.9% compared to ASX Small Ordinaries Accumulation Index of 24.2% and the S&P/ ASX 300 A-REIT Accumulation Index of 13.2% for the same period.

	2014	2015	2016	2017	2018
Profit attributable to securityholders of the Group ('000)	22,973	24,138	24,074	63,580	16,181
Basic EPS (cents)	12.1	10.6	10.6	29.5	7.8
Operating diluted EPS (cents)	6.4	6.4	7.0	6.1	5.0
Distributions per security (cents)	5.00	5.75	6.25	6.50	5.50
Special Dividend per security (cents)	-	-	-	-	21.01
Net Tangible Assets (NTA)	0.61	0.71	0.68	0.95	0.97
Security price ($)	0.79	1.07	0.96	0.97	1.02
Increase/(decrease in security price)	61.9%	36.3%	(10.7%)	0.5%	5.7%
Total KMP incentives as a percentage of profit for the year (%)	2.2%	2.0%	3.2%	4.5%	1.1%

Remuneration report (continued)

There were no STI's awarded during the financial year. In the prior year Executives were awarded STIs specifically in recognition of the successful identification, negotiation and execution of the Centuria Transaction which was completed during that year. The formal STI outcomes relating to this program are included in the table below for reference.

As detailed below, the 2018 STI financial gateway key performance measures for the year was satisfied. The Operating EPS KPI for the Group was less than the FY18 guidance due to the delayed transactions in the real estate credit business together with lower returns from the Group's strategic investment in AJD. Also, the TSR for 2018 of 10.9% was less than the benchmark indexes. Given a number of the financial KPIs were not satisfied and other non-financial KPIs remained outstanding the Remuneration Committee recommended that no STI awards be granted for the Managing Director and executives for the 2018 year (2017: $2.7 million).

<table>
<tr><th>Performance measure</th><th>Weighting</th><th>Outcome</th><th>Action</th></tr>
<tr><td>Financial gateway</td><td>90% of Operating EPS target</td><td>Achieved 91% of target Operating EPS</td><td>STI measure satisfied</td></tr>
<tr><td>Operating EPS</td><td rowspan="2">50%</td><td>Operating EPS of 5.0 cps less than guidance of 5.5 cps</td><td>STI measure not satisfied</td></tr>
<tr><td>TSR for 2018</td><td>Total return lower than S&P/ ASX 300 A-REIT and ASX Small Ordinaries Indexes for the year</td><td>STI measure not satisfied</td></tr>
<tr><td>Implementation of key strategic initiatives</td><td rowspan="2">50%</td><td>Commenced new strategic initiatives during the year, including real estate credit business and growing returns from the data centre investment</td><td>STI measure partially met however further strategic milestones to be delivered</td></tr>
<tr><td>Compliance and risk management</td><td>Maintained a strong compliance and risk management focus across the Group's activities during the year</td><td>STI measure satisfied</td></tr>
</table>

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 listing of the Group in 2013. Whilst the LTI plan is based on absolute TSR the below graph gives an indication of the relative performance of the Group since the October 2013. 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 was consistent with the previous ESP which vested in October 2016; however, the target returns were altered in alignment with the Group's strategic return targets, 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 Boards 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.

Remuneration report (continued)

		Short-term benefits				Post-employment benefits	Security based benefits	Other			
	Year	Salary & fees $	Short-term incentive[1] $	Annual leave[2] $	Non monetary benefits[3] $	Super-annuation $	Securities under ESP[4] $	Long service leave[2] $	Termination benefits $	Total $	Performance related %
Executive Director											
Tony Pitt - Managing Director	**2018**	579,951	-	20,070	23,382	20,049	86,717	-	-	730,169	11.9%
	2017	580,384	1,500,000	(17,565)	12,182	19,616	50,310	-	-	2,144,926	72.3%
KMP											
Glenn Butterworth - Chief Financial Officer	**2018**	289,951	-	(2,245)	-	20,049	86,717	-	-	394,471	22.0%
	2017	290,384	600,000	(4,509)	-	19,616	14,674	-	-	920,165	66.8%
Former Executives											
Ben James - Chief Investment Officer[5]	**2018**	50,211	-	(4,790)	-	2,493	-	47,094	52,525	147,534	0.0%
	2017	244,327	600,000	(5,380)	-	14,558	50,310	-	-	903,816	72.0%
Alan Sutton - Company Secretary	**2018**	-	-	-	-	-	-	-	-	-	-
	2017	76,772	9,132	(5,278)	-	7,829	8,553	19,196	88,978	205,182	8.6%
Total	**2018**	**920,113**	**-**	**13,034**	**23,382**	**42,591**	**173,434**	**47,094**	**52,525**	**1,272,174**	**13.6%**
	2017	1,191,867	2,709,132	(32,731)	12,182	61,618	123,847	19,196	88,978	4,174,090	67.9%

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

2. Annual leave based on movement in accrual for the year, comparative adjusted to include prior year movement. Long service leave based on payments during the year.

3. Car parking including associated Fringe Benefits Tax.

4. Securities were granted to employees under the 360 Capital Group Employee Security Plan (ESP) on 2 August 2017. The securities are 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 2013 ESP fully vested on 1 October 2017. Further information on 360 Capital Group Employee Security Plan is provided in Note 25 (c).

5. Ben James resigned on 31 October 2017 and had taken 6 months leave without pay from March 2017 to September 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 (ESP). These securities fully vested in October 2016 a holding lock remains on these securities until such time as the associated loan is repaid. In August 2017, Mr Pitt was issued 3,000,000 securities under the 360 Capital Group ESP.

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 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 calibre, 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 2018 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. Committee fees of $64,403 (2017: Nil) were paid relating to the Board members involvement in the Independent Board Committee (IBC) together with other committees held during the year. Committee fees may vary based on time and effort required to fulfil the required duties. The table below summarises the NED standard committee fee entitlements for the year, noting William Ballhausen was paid additional fees during the year relating to his role as Chairman of the IBC together with his involvement in the ongoing court proceedings.

Board fees	**$**	**Committee fees**	**$**
Chairman	130,000	Committee chair	9,132
Other NEDs	85,000	Committee member	9,132

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

The remuneration of NEDs for the year ended 30 June 2018 is detailed below:

	Year	**Salary**	**Committee Fees**	**Superannuation**	**Securities under ESP[1]**	**Total**	**Performance related**
		$	**$**	**$**	**$**	**$**	**%**
NED							
David van Aanholt	**2018**	130,000	9,132	13,218	2,891	155,241	1.8%
	2017	130,000	-	12,350	839	143,189	0.6%
William Ballhausen	**2018**	85,000	37,007	11,068	2,891	135,966	1.7%
	2017	85,000	-	8,075	839	93,914	0.9%
Graham Lenzner	**2018**	85,000	9,132	8,943	2,891	105,966	2.5%
	2017	85,000	-	8,075	839	93,914	0.9%
Andrew Moffat	**2018**	85,000	9,132	8,943	2,891	105,966	2.5%
	2017	85,000		8,075	839	93,914	0.9%
Total	**2018**	**385,000**	**64,403**	**42,172**	**11,564**	**503,139**	**2.0%**
	2017	385,000	-	36,575	3,354	424,929	0.8%

1. Securities were granted to employees under the 360 Capital Group Employee Security Plan on 2 August 2017. The securities were subject to a 3 year TSR hurdle, the securities fully vesting on 1 August 2020. 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

On 2 August 2017, there were 6,400,000 securities awarded to KMPs and NEDs under the Group's ESP, subject to a 3 year vesting period and TSR targets. During the prior year 15,170,000 securities held by KMP and NEDs relating to the ESP awarded in October 2013 vested in October 2016. 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	No. vested during year	No. lapsed during year
Tony Pitt	**2018**	3,000,000	2/08/2017	0.9800	1/08/2020	-	-
	2017	-	2/10/2013	-	1/10/2016	6,000,000	-
Glenn Butterworth	**2018**	3,000,000	2/08/2017	0.9800	1/08/2020	-	-
	2017	-	2/10/2013	-	1/10/2016	1,750,000	-
Ben James	**2018**	-	-	-	-	-	-
	2017	-	2/10/2013	-	1/10/2016	6,000,000	-
Alan Sutton	**2018**	-	-	-	-	-	-
	2017	-	2/10/2013	-	1/10/2016	1,020,000	-
NEDs							
David van Aanholt	**2018**	100,000	2/08/2017	0.9800	1/08/2020	-	-
	2017	-	2/10/2013	-	1/10/2016	100,000	-
William Ballhausen	**2018**	100,000	2/08/2017	0.9800	1/08/2020	-	-
	2017	-	2/10/2013	-	1/10/2016	100,000	-
Graham Lenzner	**2018**	100,000	2/08/2017	0.9800	1/08/2020	-	-
	2017	-	2/10/2013	-	1/10/2016	100,000	-
Andrew Moffat	**2018**	100,000	2/08/2017	0.9800	1/08/2020	-	-
	2017	-	2/10/2013	-	1/10/2016	100,000	-

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 23(c) and Note 29. 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 2017	Granted as remuneration	Acquisition	Disposal	Held at 30 June 2018
Tony Pitt	57,750,000	3,000,000	5,009,189	-	65,759,189
Glenn Butterworth	250,000	3,000,000	5,025	-	3,255,025
	58,000,000	6,000,000	5,014,214	-	69,014,214

Remuneration report (continued)

Securities held in 360 Capital Group by non-executive directors

NEDS	Held at 1 July 2017	Granted as remuneration	Acquisition	Disposal	Held at 30 June 2018
David van Aanholt	264,000	100,000	5,306	-	369,306
William Ballhausen	400,000	100,000	-	-	500,000
Graham Lenzner	240,000	100,000	4,824	-	344,824
Andrew Moffat	910,000	100,000	18,290	-	1,028,290
	1,814,000	400,000	28,420	-	2,242,420

The tables above include, securities held directly, indirectly and beneficially by KMP and NEDs. All equity transactions with KMP and NEDs other than those arising from the ESP 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 1 July 2017 $	ESP loans issued during the year	Interest charged in the year $	Payments made during the year $	Balance at 30 June 2018 $	Highest indebtness during the year $
Tony Pitt	3,540,000	2,940,000	375,000	(375,000)	6,480,000	6,480,000
Glenn Butterworth	-	2,940,000	45,000	(45,000)	2,940,000	2,940,000
	3,540,000	5,880,000	420,000	(420,000)	9,420,000	9,420,000

The loan provided on the grant date was equivalent to the face value of the securities. During the period, loans were granted on 2 August 2017 as part of the Group's ESP and loans from the prior year 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 interest on the loans to KMPs were waived for 2 quarterly distributions to allow cash for KMPs to meet their tax liability on their 2017 ESP securities associated with the capital reallocation that occurred in January 2018. The interest waiver for each KMP above totaled $120,000 for the year.

For further information on these loans refer to Note 23.

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, AJD extended its debt facility with Bankwest for a further 12 months with the facility now expiring 29 November 2019.

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

The Group is not under any obligation to buy back, purchase or redeem units from stapled securityholders. During the year, the Group bought back and cancelled Nil (2017: 25,000,000) securities.

Distribution Reinvestment Plan

During the year the Group introduced a Distribution Reinvestment Plan (DRP) which was activated for the March 2018 quarterly distribution. The Group issued 1,424,784 securities in April 2018 and raised $1.4 million relating to the March 2018 quarterly distribution. Securities were issued at a 1.5% discount to the Group's 10 day weighted average trading price as per the Group's DRP policy.

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 26 and forms part of the Directors' report for the year ended 30 June 2018.

Rounding of amounts

360 Capital Group is an entity of the kind referred to in ASIC 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.

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
22 August 2018

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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 2018, 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 year.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
22 August 2018

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360 Capital Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Revenue from continuing operations			
Rental from investment properties	5	9,293	15,559
Funds management fees	5	523	4,314
Distributions from property funds	5	3,979	8,627
Finance revenue		925	1,725
Total revenue from continuing operations		**14,720**	30,225
Other income			
Net gain on disposal of subsidiary	27	-	77,621
Gain on bargain purchase	26	2,727	-
Net gain on disposal of financial assets		3,321	-
Net gain on fair value of investment properties		11,000	1,782
Net gain on fair value of derivative financial instruments		273	1,649
Share of equity accounted profits	17	924	2,377
Other income		29	-
Total other income		**18,274**	83,429
Total revenue from continuing operations and other income		**32,994**	113,654
Investment property expenses	7	-	5,676
Employee benefit expenses	8	3,118	3,085
Administration expenses		1,668	1,308
Depreciation expenses		6	12
Finance expenses	9	2,009	7,496
Transaction costs	6	4,471	5,677
Net loss on fair value of financial assets		352	3,823
Net loss on sale of investment properties		-	355
Profit from continuing operations before income tax		**21,370**	86,222
Income tax (benefit)/expense	10	(211)	18,331
Profit for the year		**21,581**	67,891

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 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Profit for the year		**21,581**	67,891
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**21,581**	67,891
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		(1,373)	48,069
Unitholders of 360 Capital Investment Trust		17,554	15,511
Profit after tax attributable to the stapled securityholders		**16,181**	63,580
External non-controlling interests		5,400	4,311
Profit for the year		**21,581**	67,891

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		Cents	Cents
Basic earnings per security	12	**7.8**	29.5
Diluted earnings per security	12	**7.2**	27.7

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 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Current assets			
Cash and cash equivalents	13	14,814	97,246
Receivables	14	1,788	1,876
Assets held for sale	16	261,000	-
Financial assets at fair value through profit or loss	15	44,060	4,743
Other current assets		353	88
Total current assets		**322,015**	103,953
Non-current assets			
Financial assets at fair value through profit or loss	15	-	98,559
Investments equity accounted	17	18,659	19,141
Property, plant and equipment		40	43
Deferred tax assets	18	581	268
Total non-current assets		**19,280**	118,011
Total assets		**341,295**	221,964
Current liabilities			
Trade and other payables	19	4,696	920
Borrowings	20	29,000	-
Distribution payable		5,510	3,487
Income tax payable		13	18,335
Provisions	22	89	45
Derivative financial instruments	21	90	-
Total current liabilities		**39,398**	22,787
Non-current liabilities			
Borrowings	20	20,000	-
Provisions	22	66	86
Total non-current liabilities		**20,066**	86
Total liabilities		**59,464**	22,873
Net assets		**281,831**	199,091

360 Capital Group

Consolidated statement of financial position

As at 30 June 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Equity			
Issued capital - ordinary shares	23	260	-
Issued capital - trust units	23	157,658	155,765
Security based payments reserve		6,459	6,106
Retained earnings		41,431	37,220
Total equity attributable to stapled Securityholders		**205,808**	199,091
External non-controlling interest		76,023	-
Total equity		**281,831**	199,091

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 2018

	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 2017	-	155,765	6,106	37,220	199,091	-	199,091
Total comprehensive income for the year	-	-	-	16,181	16,181	5,400	21,581
Non-controlling interest arising on business combination	-	-	-	-	-	74,194	74,194
Transactions with Securityholders in their capacity as Securityholders							
Issued shares/units - DRP	184	1,233	-	-	1,417	-	1,417
Issued shares/units - ESP	107	719	-	-	826	-	826
Security based payment transactions	-	-	893	-	893	-	893
Equity raising transaction costs	(31)	(59)	-	-	(90)	-	(90)
Dividends/distributions	-	-	(540)	(11,970)	(12,510)	(3,571)	(16,081)
	260	1,893	353	(11,970)	(9,463)	(3,571)	(13,034)
Balance at 30 June 2018	**260**	**157,658**	**6,459**	**41,431**	**205,808**	**76,023**	**281,831**
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)
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

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 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Cash receipts from customers		11,482	24,231
Cash payments to suppliers and employees		(7,211)	(11,105)
Dividends and distributions received		6,582	10,524
Finance revenue		925	1,725
Finance expenses		(1,731)	(7,369)
Income tax paid		(18,407)	(998)
Net cash (outflows)/inflows from operating activities	25	**(8,360)**	17,008
Cash flows from investing activities			
Payments for investment properties and additions		-	(3,129)
Proceeds from disposal of investment properties		-	38,350
Payments for financial assets		-	(42,312)
Payments for equity accounted investments		-	(9,371)
Proceeds from repayment of ESP loans		826	6,472
Proceeds from disposal of financial assets		18,394	7,197
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		(1,150)	92,781
Payments for subsidiaries	26	(106,221)	-
Payment of transaction costs		(4,212)	(5,177)
Net cash (outflows)/inflows from investing activities		**(92,363)**	215,333
Cash flows from financing activities			
Proceeds from borrowings		25,035	723
Repayment of borrowings		-	(91,705)
Distributions paid to stapled securityholders		(10,009)	(15,018)
Distributions paid to external non-controlling interests		(2,632)	(16,867)
Proceeds from issue of capital to non-controlling interest		-	3,501
Payment for redemption of securities		-	(22,524)
Payment of transaction costs to issue capital		(89)	-
Net cash inflows/(outflows) from financing activities		**12,305**	(141,890)
Net (decrease)/increase in cash and cash equivalents		(88,418)	90,451
Cash and cash equivalents at the beginning of the year		97,246	13,732
Cash balance on consolidation/(deconsolidation) of controlled entities		5,986	(6,937)
Cash and cash equivalents at the end of the year	13	**14,814**	97,246

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 34.

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 ASIC 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:

<u>Valuation of investment properties</u>
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 34(m).

<u>Income taxes</u>
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 assets and 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.

<u>Impairment of assets</u>
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.

<u>Financial assets at fair value through profit or loss</u>
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 34.

<u>Control of entities</u>
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 34(b)). Further information on Controlled Entities is included in Note 30.

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.

d) Critical judgements and significant accounting estimates (continued)

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 32.

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.

Following the sale of the majority of the Group's funds management business in January 2017 the Group proposed a capital reconstruction to rebalance the capital between the Trust and the Company. The Group's capital structure required a rebalancing in order for the Trust to be provided with the necessary capital base to carry out its strategy of making real estate debt and equity investments.

On 31 January 2018, the Group implemented the Capital Reallocation. The payment of the Company fully franked special dividend of 21.01 cents per share (franking rate of 27.5%) and associated capital reallocation to the Trust of 21.01 cents per unit, which equates to approximately $47.7 million, was announced to the Australian Securities Exchange ("ASX") on 5 January 2018 and was implemented on 31 January 2018.

The record date of the special dividend from the Company was 24 January 2018 and payment date for the special dividend and reinvestment of the capital reallocation amount to the Trust occurred on 31 January 2018.

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 23 and on borrowings refer to Note 20.

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;

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.

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 entities deemed to be controlled under AASB 10, these entities have material non-controlling interests. The performance of these controlled entities, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's business segments.

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

Note 3: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2018 are as follows:

Year ended 30 June 2018	Investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	552	-	552	-	552
Debt arranging fee revenue	-	352	-	352	-	352
Net property income	-	-	-	-	9,293	9,293
Investment revenue	12,738	-	-	12,738	(7,354)	5,384
Finance revenue	-	161	728	889	36	925
Total revenue and other income	**12,738**	**1,065**	**728**	**14,531**	**1,975**	**16,506**
Operating expenses	168	1,740	1,465	3,373	1,058	4,431
Earnings before interest and tax (EBIT)	**12,570**	**(675)**	**(737)**	**11,158**	**917**	**12,075**
Interest expense	-	-	1,200	1,200	809	2,009
Operating profit before tax	**12,570**	**(675)**	**(1,937)**	**9,958**	**108**	**10,066**
Income tax expense	-	-	(732)	(732)	16	(716)
Operating profit (before specific non-cash and significant items]	**12,570**	**(675)**	**(1,205)**	**10,690**	**92**	**10,782**
Interest on Group ESP				540		
Operating earnings used in calculating - diluted operating EPS				**11,230**		
Weighted average number of securities - diluted ('000)				226,028		
Operating profit per security (EPS) - cents - diluted				**5.0**		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 39.

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	Equity investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Management fee revenue	-	7,377	-	7,377	(1,109)	6,268
Net property income	-	-	-	-	10,147	10,147
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 39.

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 2018 $'000	30 June 2017 $'000
Total revenue per segment report	**16,506**	27,942
Investment property expenses reported in net property income	-	5,676
Acquistion and underwrite fees [1]	-	(1,954)
Straight-lining of lease revenue and incentives [2]	-	(263)
Distibutions from equity accounted investments	(1,405)	(1,174)
Share of equity accounted profits	(352)	-
Other income	(29)	-
Total revenue in the statement of profit or loss	**14,720**	30,225
Gain on bargain purchase	2,727	-
Net gain on disposal of subsidiary [3]	-	77,621
Share of equity accounted profits, net of distributions received	924	2,377
Net gain on disposal of financial assets	3,321	-
Net gain on fair value of derivative financial instruments	273	1,649
Net gain on fair value of investment properties	11,000	1,782
Other income	29	-
Total revenue and other income in the statement of profit or loss	**32,994**	113,654

1) 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.
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) The net gain from disposal of CIML associated with the Centuria 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 2018	Total core 30 June 2017	Total 30 June 2018	Total 30 June 2017
	$'000	$'000	$'000	$'000
Profit after tax attributable to stapled securityholders	**16,181**	63,580		
Profit for the year			**21,581**	67,891
Specific non-cash items				
Net (gain)/loss on fair value of financial assets	(9,716)	2,860	352	3,823
Net loss/(gain) on disposal of financial asset	254	-	(3,321)	-
Net gain on fair value of investment properties	-	-	(11,000)	(1,782)
Net gain on fair value of derivative financial instruments	-	(229)	(273)	(1,649)
Gain on bargain purchase	-	-	(2,727)	-
Security based payments expense	361	-	361	-
Share of equity accounted profits, net of distributions received	833	(1,203)	833	(1,203)
Straight-lining of lease revenue and incentives	-	-	-	264
Significant items				
Net gain on disposal of subsidiary	-	(77,621)	-	(77,621)
Transaction costs	2,271	5,677	4,471	5,677
Write-off deferred borrowing costs	-	1,195	-	1,195
Net loss on disposal of investment properties	-	-	-	355
Acquisition and underwrite fees	-	1,954	-	1,954
Tax effect				
Tax effect of specific non-cash and significant items	506	17,030	506	17,030
Operating profit (before specific non-cash and significant items)	**10,690**	13,243	**10,782**	15,935

Note 3: Segment reporting (continued)

The segment balance sheet provided to the Board for the reportable segments for the year ended 30 June 2018 and 30 June 2017 are as follows:

As at 30 June 2018	Investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets						
Cash and cash equivalents	23	9,753	206	**9,982**	4,832	14,814
Assets held for sale	-	-	-	**-**	261,000	261,000
Financial assets and equity accounted assets	219,248	-	-	**219,248**	(156,529)	62,719
Other assets and intangibles	2,583	-	811	**3,394**	(632)	2,762
Total assets	221,854	9,753	1,017	**232,624**	108,671	341,295
Liabilities						
Borrowings	-	-	20,000	**20,000**	29,000	49,000
Other liabilities	766	111	5,939	**6,816**	3,648	10,464
Total liabilities	766	111	25,939	**26,816**	32,648	59,464
Net assets	**221,088**	**9,642**	**(24,922)**	**205,808**	**76,023**	**281,831**
ESP Loan Receiveable				15,790		
Net assets used to caluclate NTA per security				**221,598**		
Total ASX issued securities (including ESP securities) - diluted ('000)				228,527		
NTA per security diluted - $				**0.97**		

As at 30 June 2017	Investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets						
Cash and cash equivalents	871	11,148	85,227	**97,246**	-	97,246
Financial assets and equity accounted assets	122,443	-	-	**117,700**	-	117,700
Other assets and intangibles	1,845	45	385	**2,275**	-	2,275
Liabilities						
Borrowings	-	-	-	**-**	-	-
Other liabilities	-	87	22,786	**22,873**	-	22,873
Total liabilities	-	87	22,786	**22,873**	-	22,873
Net assets	**125,159**	**11,106**	**62,826**	**199,091**	**-**	**199,091**
ESP Loan Receiveable				4,366		
Net assets used to caluclate NTA per security				**203,457**		
Total ASX issued securities (including ESP securities) - diluted ('000)				214,603		
NTA per security diluted - $				**0.95**		

Note 4: Distributions and dividends

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

Distributions	30 June 2018 $'000	30 June 2017 $'000
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 unit paid on 27 April 2017	-	3,487
1.625 cents per unit paid on 27 July 2017	-	3,488
0.75 cents per unit paid on 26 October 2017	1,695	-
0.75 cents per unit paid on 30 January 2018	1,703	-
2.00 cents per unit paid on 27 April 2018	4,542	-
2.00 cents per unit paid on 27 July 2018	4,570	-
	12,510	14,762

On 31 January 2018 the Company paid a fully franked dividend of 21.01 cps which was reinvested into the Trust as part of the Capital Reallocation (2017: Nil).

Dividends	30 June 2018 $'000	30 June 2017 $'000
21.01 cents per share fully franked special dividend	47,714	-
	47,714	-

Note 5: Revenue

Rental from investment properties include:

	30 June 2018 $'000	30 June 2017 $'000
S1, Macquarie Park, Sydney, NSW	3,921	-
M1, Port Melbourne, Melbourne, VIC	3,338	-
P1, Malaga, Perth, WA	2,034	-
111 St Georges Terrace, Perth, WA	-	7,096
Windsor Marketplace, NSW	-	1,086
City Centre Plaza, Rockhampton, QLD	-	2,855
441 Murray Street, Perth, WA	-	2,022
Subiaco Square Shopping Centre, Perth, WA	-	1,238
Havelock House, West Perth, WA	-	1,262
	9,293	15,559

As a result of the acquisition of Asia Pacific Data Centre Group (AJD) detailed in Note 26, the results of AJD have been consolidated into the financial results of the Group, including the investment properties located at Macquarie Park, Sydney, Port Melbourne, Melbourne and Malaga, Perth.

Note 5: Revenue (continued)

All the above properties in the prior year were held within the Group's managed funds which historically had been consolidated for financial reporting purposes. As a result of the Centuria Transaction detailed in Note 27 these funds were deconsolidated from the Group's financial results from January 2017.

Funds management fees include:

	30 June 2018 $'000	30 June 2017 $'000
Management fees	523	4,017
Custodian fees	-	281
Performance fees	-	16
	523	4,314

Distributions from property funds include:

	30 June 2018 $'000	30 June 2017 $'000
Centuria Industrial REIT	-	3,739
Centuria Urban REIT	-	1,871
Industria REIT	-	166
Asia Pacific Data Centre Group	-	557
Centuria 111 St Georges Terrace Fund	2,194	1,251
Centuria Havelock House Fund	119	230
Centuria Retail Fund	1,666	813
	3,979	8,627

Note 6: Transaction costs

	30 June 2018 $'000	30 June 2017 $'000
Business combination transaction costs	2,032	-
Divestment costs – Centuria Transaction	-	5,677
Legal fees - court case	1,324	-
Transaction costs - other	1,115	5,677
	4,471	5,677

Note 7: Investment property expenses

	30 June 2018 $'000	30 June 2017 $'000
111 St Georges Terrace, Perth WA	-	2,333
Windsor Marketplace, Windsor, Sydney NSW	-	342
City Centre Plaza, Rockhampton QLD	-	1,216
441 Murray Street, Perth WA	-	328
Subiaco Square Shopping Centre, Perth WA	-	1,170
Havelock House, West Perth WA	-	287
	-	5,676

In the prior year, all the above properties were held within the Group's managed funds which historically had been consolidated for financial reporting purposes. As a result of the Transaction detailed in Note 27 these funds were deconsolidated from the Group's financial results from January 2017.

Note 8: Employee benefit expenses

	30 June 2018 $'000	30 June 2017 $'000
Wages and salaries	2,469	2,770
Employer superannuation contributions	192	197
Security based payments expense	361	-
Payroll tax	96	118
	3,118	3,085

In August 2017 the Group implemented an Employee Security Plan (ESP). Employees were granted 12,500,000 securities subject to a 3 year Total Securityholder Return target. 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 $0.4 million (2017: Nil) 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 23.

Note 9: Finance expenses

	30 June 2018 $'000	30 June 2017 $'000
Interest and finance charges paid and payable	2,009	5,886
Borrowing cost amortisation	-	415
Write-off deferred borrowing costs	-	1,195
	2,009	7,496

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 2018 $'000	30 June 2017 $'000
Profit before tax attributable to stapled securityholders	15,970	81,911
Income tax expense at the effective corporate rate of 27.5%	4,392	22,526
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(4,827)	(4,266)
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	(122)	(444)
ESP interest income taxable	149	246
Security based payments expense non-tax deductible	99	-
Tax deferred distribution income	-	(48)
Other tax adjustments	15	(30)
Income tax (benefit)/expense	(295)	22,181
Adjustment for current tax of prior years	84	(240)
Utilisation of prior year capital losses previously not brought to account	-	(3,610)
Income tax (benefit)/expense recognised in the statement of profit or loss	**(211)**	18,331

The 360 Capital Group Limited has carried forward capital tax losses of $2.3 million which it has not recognised as a deferred tax asset as it not considered probable that the corporate entities in the Group will realise any capital gains through the sale of assets and therefore the capital losses had not been recognised.

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 2018 $	30 June 2017 $
Audit services		
Audit and review of financial reports	163,000	125,500
Other assurance services	27,768	7,250
	190,768	132,750
Other services		
Taxation compliance services	64,000	65,450
Other services	-	66,900
Total auditors' remuneration	**254,768**	265,100

Note 12: Earnings per stapled security

	30 June 2018 ¢	30 June 2017 ¢
Basic earnings per stapled security	**7.8**	29.5
Diluted earnings per stapled security	**7.2**	27.7

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	16,181	63,580

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	208,130	215,796
Weighted average number of stapled securities - diluted	226,028	229,671

Dilution

As at 30 June 2018, there is a total of 18,500,000 stapled securities outstanding that have been granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plans (ESP). These ESP securities have an associated loan to the employees and are therefore excluded from 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 23.

Note 13: Cash and cash equivalents

	30 June 2018 $'000	30 June 2017 $'000
Cash at bank	14,814	97,246
Cash and cash equivalents in the statement of cash flows	**14,814**	97,246

Note 14: Receivables

	30 June 2018 $'000	30 June 2017 $'000
Current		
Trade receivables	-	31
Distributions receivables	648	1,845
Other receivables	1,140	-
	1,788	1,876

a) Bad and doubtful trade receivables
During the year, the Group incurred Nil (2017: Nil) 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 24 for more information on the risk management policy of the Group.

As at 30 June 2018, trade receivables of Nil (2017: Nil) were past due but not impaired.

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

	30 June 2018 $'000	30 June 2017 $'000
Current		
Units in unlisted funds managed externally	44,060	-
Units in listed funds managed externally	-	4,743
	44,060	4,743
Non-current		
Units in listed funds managed externally	-	40,242
Units in unlisted funds managed externally	-	58,317
	-	98,559
Total	**44,060**	103,302

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

The Group holds investments in the following managed investment schemes:

	30 June 2018 %	30 June 2017 %	30 June 2018 $'000	30 June 2017 $'000
Current				
Listed funds				
Industria REIT	-	1.3	-	4,743
Unlisted investments subject to put and call option				
Centuria 111 St Georges Terrace Fund	28.1	-	20,270	-
Centuria Havelock House Fund	-	-	-	-
Centuria Retail Fund	50.0	-	19,564	-
Unlisted funds managed externally				
Centuria Retail Fund	16.4	-	4,226	-
			44,060	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	-	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
			-	98,559
Total			**44,060**	103,302

During the year, the call option over the Group's remaining investment in Centuria Havelock House Fund was exercised and the investment was subsequently disposed on 31 October 2017. In June 2018 the call option of Centuria 111 St Georges Terrace Fund was partially exercised over 2.7 million units for $10.0 million. The call option over the remaining units in of Centuria 111 St Georges Terrace Fund has been extended to 26 June 2019.

The Group acquired Asia Pacific Data Centre Group through a business combination on 6 November 2017 after acquiring 67.3% of the issued units in the fund, refer to Note 26 for further information.

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

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

	30 June 2018 $'000	30 June 2017 $'000
Balance at 1 July	103,302	146,806
Financial assets recognised through deconsolidation	-	64,053
Financial assets acquired - on market	-	42,312
Financial assets disposed - listed	(4,763)	(132,288)
Financial assets disposed – call option exercised	(13,631)	(5,194)
Reclassified to equity accounted investment	-	(8,567)
Financial assets consolidated into financial statements	(40,242)	-
Loss on disposal of financial assets	(254)	-
Fair value adjustment of financial assets	(352)	(4,057)
Other movements	-	237
Closing balance	**44,060**	103,302

Note 16: Assets held for sale

	30 June 2018 $'000	30 June 2017 $'000
Investment properties		
S1, Macquarie Park, Sydney, NSW	98,500	-
M1, Port Melbourne, Melbourne, VIC	117,500	-
P1, Malaga, Perth, WA	45,000	-
Total	**261,000**	-

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

	Note	30 June 2018 $'000	30 June 2017 $'000
Opening Balance 1 July		**-**	
Investment properties acquired through consolidation		250,000	-
Fair value adjustment of assets held for sale		11,000	-
Total		**261,000**	-

The AJD portfolio comprises 3 data centre investment properties located in Sydney, Melbourne, Perth all leased to NEXTDC Limited (ASX: NXT) on triple net leases with an average weighted average lease expiry of 10.5 years. For more information on the acquisition of AJD refer to Note 26.

The fair value of the investment properties is determined by the Directors by reference to the most recent independent valuation for that property, updated to take into account any changes in valuation factors. Independent valuations were carried out on all properties at 30 June 2018. Refer below for more details on fair value of investment properties.

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

Note 16: Assets held for sale (continued)

a) Valuation basis (continued)

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.

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 24 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).

Note 16: Assets held for sale (continued)

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 2018 $'000	30 June 2017 $'000
No later than 12 months	14,060	-
Between 12 months and five years	56,240	-
Greater than five years	68,125	-
	138,425	-

Note 17: Investments accounted for using the equity method

	30 June 2018 %	30 June 2017 %	30 June 2018 $'000	30 June 2017 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	-	-
Joint venture				
AMF Finance Pty Limited	50.0	50.0	352	-
Co-investment interest				
360 Capital Total Return Fund	23.7	23.7	18,307	19,141
			18,659	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 2018, the partnership was dormant and was in the process of being wound up.

Joint venture

The Group holds a 50% stake in AMF Finance Pty Limited (AMF or AMF Finance). AMF provides alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT and other private client development funding.

Co-investment interest

The Group holds a 23.7% interest in the 360 Capital Total Return Fund (ASX: TOT). 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 2018 $'000	30 June 2017 $'000
360 Capital Total Return Fund		
Reclassified from Financial assets at fair value	19,141	8,567
Acquisitions of interest	0	9,371
Equity accounted profit for the year	572	2,377
Distributions	(1,406)	(1,174)
Closing Balance	**18,307**	19,141
AMF Finance Pty Limited		
Opening Balance - 1 July	**-**	**-**
Equity accounted profit for the year	352	**-**
Closing Balance	**352**	**-**
Total	**18,659**	19,141

The following table provides summarized financial information relating to 360 Capital Total Return Fund:

	$'000	$'000
360 Capital Total Return Fund		
Current assets	73,242	85,153
Non current assets	6,537	-
Current liabilities	(1,574)	(3,252)
Equity	78,205	81,901
Group's carrying amount of investment	**18,307**	**19,141**

	$'000	$'000
Revenue from continuing operations	2,468	3,718
Other income	635	3,643
Expenses	(689)	(661)
Total comprehensive income for the year	2,414	6,700
Group's share of profit	**572**	**2,377**

The following table provides summarized financial information relating to AMF Finance:

	$'000	$'000
AMF Finance Pty Limited		
Assets	1,081	-
Liabilities	(378)	-
Equity	703	**-**
Group's carrying amount of investment	**352**	**-**

	$'000	$'000
Revenue from continuing operations	1,373	-
Expenses	(670)	-
Total comprehensive income for the year	703	**-**
Group's share of profit	**352**	**-**

Note 18: Deferred tax assets and liabilities

	30 June 2018 $'000	30 June 2017 $'000
Deferred tax assets comprises temporary differences attributable to:		
Accrued expenses	81	261
Business acquisition costs	104	7
Tax losses	396	-
	581	268
Deferred tax liabilities comprises temporary differences attributable to:		
Accrued revenue	-	-
	-	-
Net deferred tax assets	**581**	268

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

	30 June 2018 $'000	30 June 2017 $'000
Balance at 1 July	268	144
Recognition and reversal of timing differences	(83)	124
Tax losses current year	396	-
Closing balance	581	268
Net deferred tax assets expected to reverse within 12 months	581	268
Net deferred tax assets expected to reverse after more than 12 months	-	-
	581	268

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

<u>Tax consolidation</u>

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 19: Trade and other payables

	30 June 2018 $'000	30 June 2017 $'000
Trade & GST payables	1,416	542
Rental income received in advance	1,172	-
Employee benefits	26	23
Accruals	1,008	345
Other payables	1,074	10
	4,696	920

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

Note 20: Borrowings

	30 June 2018 $'000	30 June 2017 $'000
Current		
Borrowings - secured	29,000	-
	29,000	**-**
Non-current		
Borrowings - unsecured	20,000	-
	20,000	**-**
Total	**49,000**	
Borrowings - secured		
Total facility limit	29,000	-
Used at end of reporting date	(29,000)	-
Unused at end of reporting date	-	-
Borrowings - unsecured		-
Total facility limit	20,000	-
Total Bank Guarantee facility limit	5,000	-
Used at end of reporting date	(20,000)	-
Unused at end of reporting date	5,000	-
Movement during the financial year:		
Opening balance as at 1 July	-	218,099
Borrowings acquired through the AJD acquisition	25,000	-
Drawdowns from facility	24,000	723
Repayments of facility	-	(91,705)
Borrowings deconsolidated	-	(127,117)
Closing balance	**49,000**	-

Note 20: Borrowings (continued)

a) Loan facilities summary

Bankwest facility – (Asia Pacific Data Centre Trust)
As a result of the acquisition of a controlling interest in Asia Pacific Data Centre Group (AJD) during the year, AJD is consolidated into the results of the consolidated entity at 30 June 2018 therefore AJD's secured borrowings are included as a loan held by the consolidated entity at balance date. For more information on the acquisition refer to Note 26.

The five-year $29.0 million facility is fully drawn at the balance date and expires on 29 November 2018. The facility is secured by a mortgage in favour of Bankwest over the S1, Sydney NSW data centre asset. In August 2018 this facility was extended for a further 12 months with the facility now expiring 29 November 2019. The consolidated entity has an interest rate hedge covering $12.5 million of the facility and expires in November 2018.

Unsecured facility – First Samuel
The Group has a fully drawn $20.0 million, 2 year unsecured loan facility with First Samuel Limited used to assist with the finance of its acquisition of AJD during the year.

Unsecured facility – Bank Guarantee
In June 2018, the Group entered into an unsecured $5.0 million bank guarantee facility with Bankwest to be used to assist in meeting the Group's Australian Financial Services licence requirements.

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

Note 21: Derivative financial instruments

	30 June 2018 $'000	30 June 2017 $'000
Non-current		
Interest rate swap contracts - fair value	90	-
Total	**90**	**-**

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 acquisition of a controlling interest in Asia Pacific Data Centre Group (AJD) during the year, AJD is consolidated into the results of the consolidated entity at 30 June 2018 therefore AJD's secured borrowings are included as a loan held by the consolidated entity at balance date. For more information on the acquisition refer to Note 26.

Note 22: Provisions

	30 June 2018 $'000	30 June 2017 $'000
Current		
Employee benefits	89	45
	89	45
Non-current		
Employee benefits	66	86
	66	86

Note 23: Equity

(a) Issued capital

	30 June 2018 '000	30 June 2017 '000
360 Capital Group Limited - Ordinary shares issued	210,028	207,203
360 Capital Investment Trust - Ordinary units issued	210,028	207,203

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	260	-
360 Capital Investment Trust - Ordinary units issued	157,658	155,765
Total issued capital	**157,918**	155,765

(b) Movements in issued capital

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

	30 June 2018 '000	30 June 2017 '000
Opening balance at 1 July	207,203	221,233
Securities bought back on-market and cancelled	-	(25,000)
Securities issued under the Dividend Reinvestment Plan	1,425	-
Employee securities where non-recourse loans were repaid during the year	1,400	10,970
Closing balance at 30 June	**210,028**	207,203

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:

Note 23: Equity (continued)

(b) Movements in issued capital (continued)

	30 June 2018 '000	30 June 2017 '000
Total ordinary securities disclosed at 1 July	210,028	207,203
Issued capital – balance ESP issued in October 2013	6,000	7,400
Issued capital – ESP issued in August 2017	12,500	-
Total securities issued on the ASX	**228,528**	214,603

(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 ESP. The ESP securities which had not been bought back or cancelled vested on 1 October 2016. At balance date, there is a balance of 6,000,000 ESP securities under the 2013 ESP issue where the loans have not been repaid and are therefore these are not included in the calculation of basic securities on issue due to the non-recourse nature of the associated ESP loans.

On 2 August 2017 and 13 October 2017, a total of 12,500,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group ESP. The issue price per security was $0.98 which was equal to the volume weighted average price for the 10 days proceeding the issue date. These ESP securities are not included in the calculation of the basic number of stapled securities on issue due to the non-recourse nature of the associated ESP loans.

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

(d) Dividend Reinvestment Plan

During the year the Group introduced a Distribution Reinvestment Plan (DRP) which was activated for the March 2018 quarterly distribution. The Group issued 1,424,784 securities in April 2018 and raised $1.4 million relating to the March 2018 quarterly distribution. Securities were issued at a 1.5% discount to the Group's 10 day weighted average trading price as per the Group's DRP policy. In July 2018 the Group issued 1,368,599 securities and raised a further $1.4 million relating to the June 2018 quarterly distribution.

Note 24: 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.

Note 24: Other financial assets and liabilities (continued)

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 2018 $'000	**30 June 2017 $'000**
Cash and cash equivalents	14,814	97,246
Receivables	1,788	1,876
Financial assets at fair value through profit or loss	44,060	103,302
Total	**60,662**	202,424

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 24: 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 2018						
Financial assets						
Cash and cash equivalents	14,814		-	-	-	14,814
Receivables	-	-	-	-	1,788	1,788
Financial assets at fair value through profit or loss	-	-	-	-	44,060	44,060
Total financial assets	**14,814**	**-**	**-**	**-**	**45,848**	**60,662**
Financial liabilities						
Trade and other payables	-	-	-	-	4,696	4,696
Borrowings	-	29,000	20,000	-	-	49,000
Derivative financial instruments	-	-	-	-	90	90
Total financial liabilities	**-**	**29,000**	**20,000**	**-**	**4,786**	**53,786**
Net financial assets/(liabilities)	**14,814**	**(29,000)**	**(20,000)**	**-**	**41,062**	**6,876**
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/(liabilities)	92,052	5,194	-	-	104,258	201,504

Note 24: 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 2018			
Financial assets			
Cash and cash equivalents	14,814	(148)	148
Financial liabilities			
Borrowings	49,000	-	-
Derivative financial instruments	90	(28)	28
Total (decrease) increase		(176)	176
30 June 2017			
Financial assets			
Cash and cash equivalents	97,246	(972)	972
Total (decrease) increase		(972)	972

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 24: 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 2018					
Trade and other payables	4,696	(4,696)	(4,696)	-	-
Borrowings	49,000	(51,697)	(31,208)	(20,489)	-
Derivative financial instruments	90	(95)	(95)	-	-
	53,786	**(55,488)**	**(35,999)**	**(20,489)**	-
30 June 2017					
Trade and other payables	920	(920)	(920)	-	-
Borrowings	-	-	-	-	-
	920	(920)	(920)	-	-

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 Group 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 $25,361 (2017: $0.8 million).

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2018:

	Carrying amount		Fair value	
	30 June 2018 $'000	**30 June 2017 $'000**	**30 June 2018 $'000**	**30 June 2017 $'000**
Current Financial liabilities				
Borrowings	29,000	-	29,000	-
Derivative financial instruments	90	-	90	-
Total current financial liabilities	**29,090**	**-**	**29,090**	**-**
Non-Current Financial liabilities				
Borrowings	20,000	-	20,000	-
Total non-current financial liabilities	**20,000**	**-**	**20,000**	**-**
Total financial liabilities	**49,090**	**-**	**49,090**	**-**

Note 24: 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:

		Level 1	Level 2	Level 3
30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value				
Fair value profit or loss financial assets	**44,060**	39,833	-	4,227
Financial liabilities measured at fair value				
Derivatives	**90**	-	90	-

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

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 24: 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 2018 $'000	30 June 2017 $'000
Balance at 1 July	4,579	-
Financial assets recognised upon deconsolidation of managed fund	-	4,579
Net loss on fair value of financial assets	(352)	-
Closing balance	**4,227**	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 and discount rates. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date.

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

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

	30 June 2018 $'000	30 June 2017 $'000
Net profit for the year	**21,581**	67,891
Adjustment for:		
Borrowing cost amortisation	-	1,610
Depreciation	6	12
Gain on bargain purchase	(2,727)	-
Net gain on disposal of financial assets	(3,321)	-
Net gain on disposal of subsidiary	-	(77,621)
Net loss on fair value of financial assets	352	3,823
Net gain) on fair value of investment properties	(11,000)	(1,782)
Net gain on fair value of derivative financial instruments	(273)	(1,649)
Net loss on disposal of investment properties	-	355
Security based payments expense	361	-
Straight-lining of lease revenue and incentives	-	460
Share of equity accounted profits, net of distributions received	482	(1,203)
Transaction costs	4,471	5,677
Change in assets and liabilities		
Decrease in receivables and prepayments	2,159	3,015
Decrease in creditors and accruals	(1,833)	(2,159)
Net (decrease)/increase in income tax liabilities	(18,618)	18,579
Net cash inflows from operating activities	**(8,360)**	17,008

Note 26: Business combinations and acquisition of non-controlling interests

Acquisition of Asia Pacific Data Centre Group (AJD)

Summary of acquisition

On 13 September 2017, 360 Capital Group made an unconditional, all-cash off-market takeover offer (Offer) for all securities in Asia Pacific Data Centre Group (AJD) not otherwise owned by 360 Capital Group for $1.95 per security. A Bidder's Statement was lodged with the ASX on 26 September 2017. AJD is an ASX listed real estate investment trust owning 3 data centre investment properties located in Sydney, Melbourne, Perth all leased to NEXTDC Limited (ASX: NXT) an ASX listed data centre operator. AJD is a stapled security comprising Asia Pacific Data Centre Holdings Limited (APDC Holdings) stapled to Asia Pacific Data Centre Trust (APDC Trust).

Prior to the Offer, the Group held 19.9% of the total securities of AJD, by the close on 6 November 2017, the Group had received a cumulative total of 61.7% of acceptances under the Offer, thus establishing effective control of the entity. On this date alone (Acquisition date) the Group received 22.3% of acceptances in the Offer, bringing the total ownership to over 50.0% of securities in AJD, thus meaning the Group had effectively obtained the ability to control AJD through holding greater than 50.0% of units on issue. By reaching over 50% on 6 November 2017 the Offer was required to be extended by two weeks and by the end of this extended period, on 20 November 2017 the acceptances had reached 67.3%. The consolidated financial statements include the results of AJD for the 8 month period from Acquisition date.

Details of the purchase consideration to acquire the controlling interest in AJD on 6 November 2017 are as follows:

	$'000
Cash paid	62,769
Financial assets at fair value through profit or loss	87,268
Total purchase consideration	**150,037**

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

	$'000
Assets	
Cash and cash equivalents	5,986
Receivables and other current assets	197
Investment properties	250,000
Non-current assets	15
Liabilities	
Trade and other payables	(3,879)
Borrowings	(25,000)
Derivative financial instruments	(363)
Net identifiable assets acquired including external non-controlling interest	226,956
Less: Non-controlling interests	(74,192)
Net identifiable assets acquired excluding external non-controlling interest	**152,764**
Less: Gain on bargain purchase	(2,727)
Total purchase consideration	**150,037**

Note 26: Business combinations and acquisition of non-controlling interests (continued)

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

A bargain purchase of AJD of $2.7 million has been recognised as income in the consolidated statement of profit or loss for the period. The bargain represents the difference between total purchase consideration and net identifiable assets acquired.

Revenue and profit contribution

The acquired business contributed revenues of $9.6 million and a net profit of $16.5 million to the Group from 6 November 2017 to 30 June 2018.

If the acquisition had occurred on 1 July 2017, consolidated total revenue from continuing operations and the consolidated net profit of AJD for the year ended 30 June 2018 would have been $13.8 million and $53.6 million respectively. Net profit for the year from 1 July 2017 would include transaction costs of $3.8 million expensed by AJD prior to the Acquisition date. 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

	$'000
Cash consideration paid	62,769
Less: Cash and cash equivalents acquired	(5,986)
Outflow of cash to acquire subsidiary	**56,783**
Add: Business combination transaction costs expensed through profit or loss	2,032
Total cash outflow to acquire subsidiary	**58,815**

Acquisition related costs

Acquisition related costs of $2.0 million incurred have been expensed in the consolidated statement of profit or loss and have been included as part of net cash flows from investing activities in the consolidated statement of cash flows. Transaction costs include legal and advisory fees.

Gain on fair value of financial assets

Prior to gaining control of AJD on 6 November 2017, the Group had accumulated an ownership interest of 39.3% and had recognised this investment as a financial asset at fair value through profit or loss. Upon gaining control of AJD, this investment was treated as if it was disposed of at fair value on Acquisition date and the resulting gain recognised in profit or loss.

	$'000
Opening balance at 1 July 2017: Financial assets at fair value through profit or loss	40,242
Consideration paid for securities	43,451
	83,693
Deemed disposal of financial assets (at Acquisition date fair value)	87,268
Gain on fair value of financial assets	**3,575**

Note 27: Divestment of subsidiary and investments

There were no divestment transactions in the year ended 30 June 2018. Divestment transactions which occurred in the prior year are listed below.

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: 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 Centuria 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 30 June 2017 the Group had 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 Centuria 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 27: 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 ended 30 June 2017 Centuria exercised the call option on all units held in Centuria 441 Murray Street Fund which was 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. In October 2017 Centuria exercised the remaining call option over Centuria Havelock House Fund, and in June 2018 settled 2.7 million units in Centuria 111 St Georges Terrace Fund.

	30 June 2018 $'000	30 June 2017 $'000
Centuria St George's Terrace Fund	20,270	30,544
Centuria Havelock House Fund	-	3,630
Centuria Retail Fund	19,564	19,564
	39,834	53,738

Reconciliation of movement during the year:

	30 June 2017 $'000	Call Option Exercised $'000	30 June 2018 $'000
Centuria St Georges Terrace Fund	30,544	(10,274)	20,270
Centuria Havelock House Fund	3,630	(3,630)	-
Centuria Retail Fund	19,564	-	19,564
	53,738	(13,904)	39,834

Note 27: 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 Centuria Transaction, Notes were repaid and redeemed for a total amount $78.0 million together with accrued interest up to the date of redemption.

Note 28: Capital commitments and contingencies

Capital commitments
The Group had no capital commitments as at 30 June 2018 (2017: Nil).

Contingencies
There are no contingent liabilities as at 30 June 2018 (2017: Nil).

Note 29: 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 – Resigned 31 October 2017
Glenn Butterworth, Chief Financial Officer

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

	30 June 2018 $	**30 June 2017 $**
Short-term benefits	943,495	3,913,182
Post-employment benefits	42,591	61,618
Termination benefits	99,619	108,174
Security based payments	173,433	123,847
Total compensation	**1,259,138**	4,206,821

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

Note 29: Related party transactions (continued)

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

KMP	Balance at 1 July 2017 $	ESP loans issued during the year $	Interest charged in the year $	Payments made during the year $	Balance at 30 June 2018 $	Highest indebtness during the year $
Tony Pitt	3,540,000	2,940,000	375,000	(375,000)	6,480,000	6,480,000
Glenn Butterworth	-	2,940,000	45,000	(45,000)	2,940,000	2,940,000
	3,540,000	5,880,000	420,000	(420,000)	9,420,000	9,420,000

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

NEDS	Balance at 1 July 2017 $	ESP loans issued during the year	Interest charged in the year $	Payments made during the year $	Balance at 30 June 2018 $	Highest indebtness during the year $
David van Aanholt	59,000	98,000	5,500	(64,500)	98,000	98,000
William Ballhausen	59,000	98,000	5,500	(64,500)	98,000	98,000
Graham Lenzner	59,000	98,000	5,500	(64,500)	98,000	98,000
Andrew Moffat	59,000	98,000	5,500	(64,500)	98,000	98,000
	236,000	392,000	22,000	(258,000)	392,000	392,000

The loan provided on the grant date was equivalent to the face value of the securities. Existing loans at the beginning of the year were granted on 2 October 2013 and the securities vested on 1 October 2016. During the year loans were provided on 2 August 2017. 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 interest on the loans to KMPs were waived for 2 quarterly distributions to allow cash for KMPs to meet their tax liability on their 2017 ESP securities associated with the capital reallocation that occurred in January 2018. The interest waiver for each KMP above totaled $120,000 for the year.

For further information on these loans refer to Note 23.

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

Capital Reallocation
In January 2018 the Group implemented the Capital Reallocation via the payment of the Company fully franked special dividend of 21.01 cents per share (franking rate of 27.5%) and associated capital reallocation to the Trust of 21.01 cents per unit, which equates to approximately $47.7 million.

Bank Guarantee
On 29 June 2018, 360 Capital FM Limited received an $5.0 million eligible undertaking to support its AFS licence requirements. The undertaking was funded by an unsecured facility entered into by 360 Capital Investment Trust and provided by Bankwest.

Debenture Loan
360 Capital Group Limited has a $20.0 million, 2 year unsecured loan facility with First Samuel Limited used to assist with the finance of its acquisition of AJD during the year. This loan has been provided to 360 Capital Diversified Property Fund on the same terms as the loan agreement with First Samuel.

Note 29: Related party transactions (continued)

Loan with related entity

During the year, the Group held cash on behalf of a joint venture of the Group, AMF Finance Pty Finance (AMF), and provided working capital requirements on behalf of AMF. The loan is at call and no interest is charged on the loan.

Sale of APDC Trust responsible entity

On 16 January 2018, APDC Limited, the Responsible Entity of APDC Trust, was sold to One Investment Group Pty Limited (ACN 136 507 241) and associate (OIGPL). Following the sale, APDC Limited was not a related body corporate of 360 Capital Group Limited and no 360 Capital Group entity was or is associated with OIGPL or APDC Limited.

Responsible Entity Fees

During the year, as Responsible Entity of 360 Capital Total Return Fund, 360 Capital FM Limited agreed to waive its entitlement to a performance fee of $1,406,954 for the year ended 30 June 2018 (2017: Nil) and agreed to remove any conditions associated with the waiver of acquisition and disposal fees of $634,913 (2017: $191,435) relating to the acquisition and sale of IDR units and AOF units.

The following significant transactions occurred with related parties during prior 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 ended 30 June 2017, 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 ending 30 June 2017, 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.

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 Centuria Transaction on 9 January 2017.

Note 29: Related party transactions (continued)

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.

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.

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

	30 June 2018 $	**30 June 2017 $**
Centuria Industrial REIT	-	3,180,762
Centuria Urban REIT	-	737,323
360 Capital Total Return Fund	523,420	332,027
Centuria 111 St Georges Terrace Fund	-	47,514
Centuria Havelock House Fund	-	4,361
Centuria Retail Fund	-	11,953
	523,420	**4,313,940**

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

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. Custodian fees are paid and calculated in accordance with the constitution at a rate of 0.05% of the gross assets.

During the year, as Responsible Entity of 360 Capital Total Return Fund, 360 Capital FM Limited agreed to waive its entitlement to a performance fee of $1,406,954 for the year ended 30 June 2018 (2017: Nil) and agreed to remove any conditions associated with the waiver of acquisition and disposal fees of $634,913 (2017: $191,435) relating to the acquisition and sale of IDR units and AOF units.

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

	30 June 2018 $	**30 June 2017 $**
Centuria Industrial REIT	-	3,739,201
Centuria Urban REIT	-	1,870,592
360 Capital Total Return Fund	1,405,901	1,174,431
Centuria 111 St Georges Terrace Fund	-	925,584
Centuria Havelock House Fund	-	230,006
Centuria Retail Fund	-	666,014
	1,405,901	8,605,828

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

Note 30: 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 2018 %	Equity Holding 30 June 2017 %
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[1]	Australia	Ordinary	-	100
TC RHB Stage 2 Lessor Pty Limited[1]	Australia	Ordinary	-	100
TC RHB Stage 4 Lessor Holdings Pty Limited[1]	Australia	Ordinary	-	100
TC RHB Stage 4 Lessor Pty Limited[1]	Australia	Ordinary	-	100
TC RHB Stage 6 Lessor Holdings Pty Limited[1]	Australia	Ordinary	-	100
TC RHB Stage 6 Lessor Pty Limited[1]	Australia	Ordinary	-	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[1]	Australia	Ordinary	-	100
TC RHB Stage 7 Lessor Pty Limited[1]	Australia	Ordinary	-	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	Australia	Ordinary	100	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.2 Pty Limited	Australia	Ordinary	100	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 PERE Pty Limited[2]	Australia	Ordinary	75	75

[1] Entities wound up during the year.

[2] 360 Capital 2017 PERE Pty Limited was renamed 360 Capital PERE Pty Limited in August 2018.

Note 30: Subsidiaries and controlled entities (continued)

b) Interest in controlled entities of 360 Capital Investment Trust

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2018	Equity Holding 30 June 2017
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 AJD Trust [1]	Australia	Ordinary	100	100

[1] In November 2017 360 Capital Finance Trust changed its name to 360 Capital AJD Trust.

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

Asia Pacific Data Centre Group [1]	Australia	Ordinary	67.3	-

[1] During the year the Group increased its holding in Asia Pacific Data Centre Group to 67.3% and the results are consolidated from 3 November 2017. Refer to Note 26 for more information.

Note 31: 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 2018 $'000**	**30 June 2017 $'000**
Current assets	3,432	59,678
Non-current assets	114,403	74,139
Total assets	**117,835**	133,817
Current liabilities	140	180
Non-current liabilities	88,039	67,430
Total liabilities	88,179	67,610
Net Assets	**29,656**	66,207
Issued capital	15,011	1,760
Security based payments reserve	2,195	1,833
Retained earnings/(Accumulated losses)	12,450	62,614
Total equity	**29,656**	66,207

Consolidated income statement for the closed group:

	30 June 2018 $'000	**30 June 2017 $'000**
Profit from Continuing operations before income tax	646	80,022
Income tax	(178)	(22,006)
Profit after tax from continuing operations	**468**	58,016
Net profit for the year	**468**	58,016
Retained earnings at the beginning of the year	65,084	7,068
Dividends provided for or paid	(47,714)	-
Retained earnings at the end of the year	**17,838**	65,084

Note 32: Parent entity disclosures

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

	30 June 2018 $'000	30 June 2017 $'000
Current assets	3,419	59,174
Non-current assets	94,011	65,555
Total assets	**97,430**	124,729
Current liabilities	140	180
Non-current liabilities	67,320	57,971
Total liabilities	**67,460**	58,151
Issued capital	5,968	-
Security based payments reserve	2,195	1,833
Retained earnings	21,807	64,745
Total equity	**29,970**	66,578
Net profit for the year	957	75,027
Total comprehensive income for the year	**957**	75,027

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 31 for further information. There are no other contingencies at 30 June 2018 (2017: Nil).

Note 33: Events subsequent to balance date

Subsequent to balance date, AJD extended its debt facility with Bankwest for a further 12 months with the facility now expiring 29 November 2019.

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 34: 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 2017. 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 2018 and the results of all subsidiaries for the year then ended.

Note 34: Statement of significant accounting policies (continued)

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.

Note 34: Statement of significant accounting policies (continued)

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 23(c) for further detail.

Note 34: Statement of significant accounting policies (continued)

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

Companies
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.

Trusts and Funds
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.

Tax consolidation
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.

Intangible assets
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.

Note 34: Statement of significant accounting policies (continued)

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.

Financial assets at fair value through profit or loss
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.

Note 34: Statement of significant accounting policies (continued)

k) Financial instruments (continued)

<u>Receivables</u>
Refer to Note 34(j).

<u>Financial liabilities and equity</u>
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 34(n) and Note 34(q) below.

<u>Impairment</u>
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.

Note 34: Statement of significant accounting policies (continued)

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.

Note 34: Statement of significant accounting policies (continued)

q) Borrowings (continued)

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.

Distributions
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 and amendments to standards have been issued, but are not mandatory as at 30 June 2018. 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. Based on management's assessment, the new standard 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. Management has assessed the impact of AASB 15 on the financial results of the Group and this is not expected to materially impact the Group's financial statements.

Note 34: Statement of significant accounting policies (continued)

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 as the Group does not currently have any material lease arrangement in place.

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

- AASB 2018-1 *Annual Improvements 2015-2017 Cycle (Effective January 1, 2019)*

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 27 to 86, and the Remuneration report contained in the Directors' report on pages 2 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 2018 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 31 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 31.

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 2018.

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.

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
22 August 2018

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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 2018, 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 2018 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.

Building a better working world

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. Acquisition of Asia Pacific Data Centre Group ('AJD')

Why significant	How our audit addressed the key audit matter
At 30 June 2017, 360 Capital Group (TGP) held a 19.94% investment in AJD which was accounted for as a fair value investment through profit and loss. On 3 November 2017, TGP had increased its shareholding to 39.32%. On 6 November 2017, TGP acquired an additional 22.34% of AJD units and effectively gained control of AJD as at that date ("the acquisition date") and by 20 November 2017, TGP held 67.31% of the issued AJD units. Given the significance of the transactions and the judgment involved in assessing whether the Group has control over the entity in accordance with the criteria set out in Australian Accounting Standards, we considered this to be a key audit matter.	Our audit procedures included the following: ► We considered whether the Group's accounting treatment of the transaction reflected our understanding of the underlying agreements, including the tax consequences of the transaction. ► We considered the Group's assessment of its influence and/or control with respect to the investment including: ▸ considering the percentage ownership held by TGP and its voting abilities. ▸ evaluating the impact of appointing an independent responsible entity for the AJD Trust; ▸ assessing the composition of the Board and TGP's ability to appoint and remove directors; and ▸ the application of the relevant accounting standards. ► We assessed the adequacy of the Group's disclosure with respect to the transactions.

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2. Valuation of investment properties

Why significant	How our audit addressed the key audit matter
The investment property assets of the Group consists of 3 data centre properties and represents 76% of the Group's total assets as at 30 June 2018. These assets are carried at fair value. As disclosed in Note 16 of the financial report, fair value is determined by the directors with reference to external independent property valuations. Independent valuations are conducted on a rotational basis across the portfolio over a three year period or when the directors consider there to be a reason to believe that the fair value of a property has materially changed from its carrying value. All 3 properties were subject to external valuations in the current financial year. We considered this was a key audit matter due to the number of judgments required in determining fair value. As disclosed in Note 16, these judgments include assessing the capitalisation rate, and estimating future maintainable operating earnings based on historical and forecast financial information. Minor changes in certain assumptions can lead to significant changes in the valuation.	Our audit procedures included the following: ► We evaluated the external independent valuations for the three properties, including: ▸ assessing the competence, capability and the objectivity of the independent valuer; ▸ assessing the appropriateness of the valuation methodology; ▸ agreeing net passing income to source data used in the valuations by agreeing details to supporting tenancy schedules; and ▸ evaluating the capitalisation rates adopted, and movement in the year, based on our knowledge of the property portfolio, published industry reports and comparable property valuations. ► For each of the 3 properties we involved our real estate specialists to assist with the assessment of the valuations. ► We assessed the adequacy of the disclosures relating to the sensitivity of the key assumptions as detailed in Note 16 to the financial report.

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 2018 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, with the exception of the Remuneration Report and our related assurance opinion.

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.

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 11 to 23 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of 360 Capital Group Limited for the year ended 30 June 2018, 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
22 August 2018

Information below was prepared as at 15 August 2018.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,556,907	17.64
TT INVESTMENTS PTY LTD	28,825,214	12.53
J P MORGAN NOMINEES AUSTRALIA LIMITED	16,746,797	7.28
PENTAGON FINANCIAL SERVICES PTY LIMITED	13,579,009	5.90
WYLLIE GROUP PTY LTD	12,474,576	5.42
NATIONAL NOMINEES LIMITED	12,413,304	5.39
180 CAPITAL INVESTMENTS PTY LIMITED	7,161,031	3.11
UBS NOMINEES PTY LTD	6,864,332	2.98
CITICORP NOMINEES PTY LIMITED	6,803,707	2.95
PRUDENTIAL NOMINEES PTY LTD	6,500,000	2.82
MR TONY PITT	6,000,000	2.60
NATIONAL EXCHANGE PTY LTD	5,500,000	2.39
TT INVESTMENTS PTY LTD	4,682,983	2.03
BOND STREET CUSTODIANS LIMITED	3,936,964	1.71
MR JAMES STOREY	3,000,000	1.30
MR GLENN BUTTERWORTH	3,000,000	1.30
MR TONY PITT	3,000,000	1.30
PENTAGON CAPITAL PTY LIMITED	2,771,128	1.20
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,635,668	1.14
URB INVESTMENTS LIMITED	2,000,000	0.86
Total Securities held by Top 20 security holders	**188,451,620**	**81.97**
Total Securities on issue	**229,895,899**	**100.00**

b) Distribution of securityholders:

Number of securities held by securityholders	Number of holders	Securities held	% of issued securities
1 to 1,000	196	55,104	0.02
1,001 to 5,000	273	824,706	0.36
5,001 to 10,000	209	1,773,523	0.77
10,001 to 100,000	691	21,645,756	9.42
100,001 and over	70	205,596,810	89.43
Totals	**1,439**	**229,895,899**	**100.00**

The total number of securityholders with less than a marketable parcel was 137 and they hold 7,667 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
Mr Tony Pitt	31/07/18	66,841,314	29.07
Wilson Asset Management Group	14/11/17	15,509,891	6.83
First Samuel Limited	28/03/17	14,623,503	6.81
Wylie Group Pty Ltd	02/10/13	12,474,576	5.52
National Exchange Pty Ltd & Prudential Nominees	11/07/18	11,659,654	5.10
Investors Mutual Ltd	04/05/18	11,550,000	5.05

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
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