ASX Release | Appendix 4D

360 Capital Group

For the half year ended 31 December 2018

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

This preliminary financial report is given to the ASX in accordance with Listing Rule 4.2A. This report should be read in conjunction with the Interim Financial Report for the half year ended 31 December 2018. It is also recommended that the Interim Financial Report be considered together with any public announcements made by the Group. Reference should also be made to the statement of significant accounting polices as outlined in the 30 June 2018 Financial Report. The Interim Financial Report for the half year ended 31 December 2018 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2018 – 31 December 2018

Prior corresponding period: 1 July 2017 – 31 December 2017

Results for announcement to the market:

	31 Dec 2018 $'000	31 Dec 2017 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	7,541	41,986	(34,445)	(82.0)
Profit from ordinary activities after tax attributable to stapled securityholders	830	27,274	(26,444)	(97.0)
Operating profit [1]	3,189	6,037	(2,848)	(47.2)

[1] Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider operating profit to reflect the core earnings of the Group. Operating profit is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Group's statutory profit to operating earnings is provided in Note 2 Segment reporting of the Interim Financial Report.

	31 Dec 2018 Cents	31 Dec 2017 Cents	Movement Cents	Movement %
Basic earnings per stapled security	0.4	13.1	(12.7)	(96.9)
Diluted earnings per stapled security	0.4	12.2	(11.8)	(96.7)
Operating earnings per stapled security	1.4	2.8	(1.4)	(50.0)

360 Capital Group

For the half year ended 31 December 2018

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

Distributions:

	Cents per unit	Total amount paid $'000	Date of payment
September 2018 quarter distribution	1.00	2,299	29 October 2018
December 2018 quarter distribution	1.00	2,309	24 January 2019
Total distribution for the period ended 31 December 2018	**2.00**	**4,608**	
September 2017 quarter distribution	0.75	1,695	26 October 2017
December 2017 quarter distribution	0.75	1,703	30 January 2018
Total distribution for the period ended 31 December 2017	**1.50**	**3,398**	

Net tangible assets per security:

	31 Dec 2018 $	31 Dec 2017 $
Net tangible assets (NTA) diluted per security [2]	0.96	1.06

[2] The number of securities on issue on the Australian Stock Exchange (ASX) at 31 December 2018 is 230.9 million (December 2017: 227.1 million). For calculation of NTA diluted per security, the securities on issue per the ASX are used and Net Assets are adjusted for the value of the ESP loans receivable. For financial reporting the number of securities is reduced to 213.7 million (December 2017: 207.6 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. NTA per security basic (excluding ESP securities and ESP loans receivable) as at 31 December 2018 is $0.96 per security (December 2017: $1.08 per security).

Control gained or lost over entities during the period:

During the period the Group deconsolidated the Asia Pacific Data Centre Group following the disposal of its 67.3% interest in the Fund, refer to Note 14 Divestment transaction of the Interim Financial Report.

360 CAPITAL GROUP

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 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

360 CAPITAL GROUP

Interim Financial Report
For the half year ended 31 December 2018

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

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Directors of 360 Capital Group Limited (Company) present their report, together with the interim financial report of 360 Capital Group (Group) for the half year ended 31 December 2018. 360 Capital Group comprises 360 Capital Group Limited (Parent Entity) and its controlled entities and 360 Capital Investment Trust (Trust) and its controlled entities.

Directors

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

David van Aanholt (Chairman)
Tony Robert Pitt
William John Ballhausen
Graham Ephraim Lenzner
Andrew Graeme Moffat

Principal activities

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

- Funds management – utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds and its debt origination 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 period.

Post period, the Group announced its intention to expand its activities to become a listed investor and manager of alternative assets (including real estate).

Operating and financial review

Key financial highlights for the half year ended 31 December 2018

Statutory net profit attributable to securityholders

$0.8m

(December 2017: $27.3 million)

Statutory net profit attributable to securityholders of 0.4 cps (December 2017: 13.1 cps) lower than prior period reflecting significant unrealised gains on AJD assets during the prior period

Operating profit

$3.2m

(December 2017: $6.0 million)

Operating profit[1] and earnings per security (EPS) of 1.4 cps[2] (December 2017: 2.8 cps) decrease primarily due to the ongoing divestment of unlisted investments together with the disposal of AJD during the period and the holding of significant cash balances

Distributions per security

2.0 cps

(December 2017: 1.5 cps)

Distributions of 2.0 cps reflecting 33% increase on the prior half year

Net tangible assets

$0.96

per security (June 2018: $0.97 cps)

Net tangible assets (NTA)[3] decreased by 1.0 cps during period contributed to by the write down of the residual unlisted units in Centuria Retail Fund of $1.4m

ASX closing price

$1.05

per security (June 2018: $1.015)

Increase in security price reflecting continuing 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 2: 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 2: Segment reporting.

3 Net Tangible Asset value diluted per security calculation uses NTA 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 2: Segment reporting. NTA per security basic (excluding ESP securities and ESP loans receivable) as at 31 December 2018 is $0.96 per security (June 2018: $0.98 per security).

Operating and financial review (continued)

Key operational achievements for the half year ended 31 December 2018

Disposed unlisted investments

$19.6m

Centuria options

In January 2019 settled $19.6 million of unlisted units under option with Centuria with an additional $20.3 million to be settled by June 2019

Building active revenue streams through AMF

2%

Establishment fee

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

AJD divestment

$154.8m

Realisation of strategic investment

Disposed of 67.3% of Asia Pacific Data Centre Group for $154.8 million

Significant cash balance

>$160m

Capital to fund future opportunities

Post period, the Groups cash balance increased to over $160 million, placing the Group in a strong position to take advantage of future opportunities

Group Overview

During the half year, the Group disposed of its 67.3% investment in Asia Pacific Data Centre Group for total consideration of $154.8 million, which significantly strengthened the Group's financial position.

The Group continues to diversify its capital sources to generate funds management and finance fee revenues as well as growing its revenue streams through investing. The Group's three key focus were:

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

Operating and financial review (continued)

Divestment of Asia Pacific Data Centre Group

During the 6 months to 31 December 2018, the Group sold its major investment in Asia Pacific Data Centre Group for $154.8 million plus a special distribution of $1.55 million.

The Group achieved a net return of $19.2 million on its investment (after all costs) from distributions and capital gains, equivalent to a 14.4% IRR return on equity during the Group's investment period. Furthermore, the sale of this investment freed up significant management time to focus on other activities.

Real Estate Credit Activities

The Group, continues to build out its real estate credit activities, investing further capital into 360 Capital Total Return Fund (ASX: TOT), supporting TOT's expansion in real estate credit investing, expanding the origination capability and growing AMF's market as a non-bank originator.

Through TOT and private funds, AMF Finance (AMF) has originated over $110 million in real estate credit transactions, with a strong pipeline of further opportunities arising from the restrictions APRA is placing on the Australian Banks.

The Group has increased its ownership in TOT up to 26.0% by the end of January 2019, including underwriting TOT's DRP during the period. Combining TOT's flexible investment strategy with the Group expanding into alternative assets, the Group will continue to focus to growing TOT as it's listed real estate platform.

Over the past 6 months, management has spent significant time discussing scaling this business with various operating and capital partners. These discussions are ongoing with a view to selecting the right partner for a long-term business plan.

Non-core investments

Centuria Capital Group (Centuria) exercised $19.6 million in call option units relating to the Centuria Retail Fund in January 2019. The remaining unlisted investment under put and call option, totalling $20.3 million is the units in Centuria 111 St Georges Terrace Fund providing the Group with a 7.5% p.a. guaranteed return until its put option date which has been extended to June 2019.

The Group has written down its remaining 16.4% interest, which is not under a put option agreement, in the Centuria Retail Fund to $2.8 million.

Capital management

The Group repaid its $20.0 million unsecured corporate facility in October 2018 with the proceeds from the disposal of its investment in AJD. The Group had $143.2 million in cash as at 31 December 2018 and is now debt free.

Furthermore, post 31 December 2018, Centuria exercised and settled $19.6 million in Centuria Retail Fund units, increasing the Group's cash to over $160 million. The Group is scheduled to receive a further $20.3 million from Centuria by June 2019.

The Group has a Distribution Reinvestment Plan (DRP) which was active for the September 2018 quarter. In October 2018 the Group issued 976,746 units and raised $1.0 million relating to the September 2018 quarterly distribution. Post the September 2018 quarter the DRP has been suspended until further notice.

Summary and Outlook

The 360 Capital Group has announced its intention to expand to become a listed investor and manager of alternative assets.

The Group's investment philosophy has not changed, and it will continue to be patient and aligned with its investors. The alternative asset strategy is an expansion of its existing platform.

Summary and Outlook (continued)

360 Capital is expanding from real estate into the following four asset sectors:

- Real Estate (equity and credit)
- Private Equity
- Public Equity
- Credit Strategies

Dividends and distributions

The Company did not declare any dividends during the half year or up to the date of this report (December 2017: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

	31 December 2018 $'000	**31 December 2017 $'000**
0.75 cents per unit paid on 26 October 2017	-	1,695
0.75 cents per unit paid on 30 January 2018	-	1,703
1.0 cents per unit paid on 29 October 2018	2,299	-
1.0 cents per unit paid on 24 January 2019	2,309	-
	4,608	3,398

Significant changes in state of affairs

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

Likely developments and expected results of operations

The Group will continue to focus on growing its listed investments together with investigating new partnering and private equity opportunities.

Events subsequent to balance date

On 9 January 2019, Centuria exercised its call option over the Group's investment in the Centuria Retail Fund for $19.6 million which was equal to the carrying value at 31 December 2018. The Group continues to hold a residual interest of 16.4% in the Centuria Retail Fund which is not subject to a put option agreement.

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

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the Directors' report for the half year ended 31 December 2018.

Rounding of amounts

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

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

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
27 February 2019

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

As lead auditor for the review of the half-year financial report of 360 Capital Group Limited for the half-year ended 31 December 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 review; and

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

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
27 February 2019

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Revenue from continuing operations			
Rental from investment properties		3,969	2,263
Funds management fees		262	266
Distributions from property funds		1,737	2,046
Finance revenue		659	804
Total revenue from continuing operations		**6,627**	5,379
Other income			
Gain on bargain purchase	13	-	2,727
Net gain on disposal of financial assets		-	3,595
Net gain on fair value of investment properties	7	-	30,000
Net gain on fair value of derivative financial instruments		-	68
Share of equity accounted profits		914	217
Total other income		**914**	36,607
Total revenue from continuing operations and other income		**7,541**	41,986
Employee benefit expenses		1,531	1,310
Administration expenses		596	653
Depreciation expenses		3	3
Finance expenses	4	958	423
Transaction costs		103	1,735
Net loss on fair value of financial assets		1,409	-
Net loss on disposal of controlled entity		1,103	-
Profit from continuing operations before income tax		**1,838**	37,862
Income tax (benefit)/expense	6	(174)	398
Profit for the half year		**2, 012**	37,464

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Profit for the half year		**2,012**	37,464
Other comprehensive income for the half year		-	-
Total comprehensive income for the half year		**2,012**	37,464
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		(869)	(1,063)
Unitholders of 360 Capital Investment Trust		1,699	28,337
Profit after tax attributable to the stapled securityholders		**830**	27,274
External non-controlling interests		1,182	10,190
Profit for the half year		**2,012**	37,464

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		**Cents**	**Cents**
Basic earnings per security	5	**0.4**	13.1
Diluted earnings per security	5	**0.4**	12.2

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

360 Capital Group

Consolidated interim statement of financial position

As at 31 December 2018

	Note	31 December 2018 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents		143,186	14,814
Receivables		1,094	1,788
Assets held for sale		-	261,000
Financial assets at fair value through profit or loss	8	42,651	44,060
Other current assets		218	353
Total current assets		**187,149**	322,015
Non-current assets			
Investments equity accounted	9	20,279	18,659
Property, plant and equipment		43	40
Deferred tax assets		742	581
Total non-current assets		**21,064**	19,280
Total assets		**208,213**	341,295
Current liabilities			
Trade and other payables		314	4,696
Borrowings	10	-	29,000
Distribution payable		2,309	5,510
Income tax payable		-	13
Provisions		53	89
Derivative financial instrument		-	90
Total current liabilities		**2,676**	39,398
Non-current liabilities			
Borrowings	10	-	20,000
Provisions		104	66
Total non-current liabilities		**104**	**20,066**
Total liabilities		**2,780**	59,464
Net assets		**205,433**	281,831

360 Capital Group

Consolidated interim statement of financial position

As at 31 December 2018

	Note	31 December 2018 $'000	30 June 2018[1] $'000
Equity			
Issued capital - ordinary shares	11	832	260
Issued capital - trust units[1]	11	192,456	190,011
Security based payments reserve		7,388	6,459
Retained earnings[1]		4,757	9,078
Total equity attributable to stapled Securityholders		**205,433**	205,808
External non-controlling interest		-	76,023
Total equity		**205,433**	281,831

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

[1] Issued capital – trust units and Retained earnings for the prior period have been restated to reflect adjustments from previous periods. Refer to Note 1(d) for more information.

360 Capital Group
Consolidated interim statement of changes in equity
For the half year ended 31 December 2018

	Note	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Retained earnings - Corporate $'000	Accumulated losses - Trust $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		260	157,658	6,459	69,889	(28,458)	205,808	76,023	281,831
Restatement of opening balances	1(d)	-	32,353		(47,714)	15,361	-	-	-
Adjusted balance at 1 July 2018		260	190,011	6,459	22,175	(13,097)	205,808	76,023	281,831
Total comprehensive income for the half year		-	-	-	(869)	1,699	830	1,182	2,012
Transactions with non-controlling interest		-	-	-	-	-	-	(75,701)	(75,701)
Transactions with Securityholders in their capacity as Securityholders									
Issued shares/units - DRP		328	1,950	-	-	-	2,278	-	2,278
Issued shares/units - ESP		246	508	-	-	-	754	-	754
Security based payment transactions		-	-	929	-	(543)	386	-	386
Equity raising transaction costs		(2)	(13)	-	-	-	(15)	-	(15)
Dividends/distributions		-	-	-	-	(4,608)	(4,608)	(1,504)	(6,112)
		572	2,445	929	-	(5,151)	(1,205)	(1,504)	(2,709)
Balance at 31 December 2018		**832**	**192,456**	**7,388**	**21,306**	**(16,549)**	**205,433**	**-**	**205,433**
Balance at 1 July 2017		-	155,765	6,106	71,262	(34,043)	199,091	-	199,091
Total comprehensive income for the half year		-	-	-	(1,063)	28,337	27,274	10,190	37,464
Non-controlling interest arising on business combination		-	-	-	-	-	-	74,193	74,193
Transactions with Securityholders in their capacity as Securityholders									
Issued shares/units - ESP		31	205	-	-	-	236	-	236
Security based payment transactions		-	-	422	-	-	422	-	422
Equity raising transaction costs		(24)	(39)	-	-	-	(63)	-	(63)
Dividends/distributions		-	-	(284)	-	(3,114)	(3,398)	(1,880)	(5,278)
		7	166	138	-	(3,114)	(2,803)	(1,880)	(4,683)
Balance at 31 December 2017		7	155,931	6,244	70,199	(8,819)	223,562	82,503	306,065

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

360 Capital Group

Consolidated interim statement of cash flows

For the half year ended 31 December 2018

	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	3,522	1,689
Cash payments to suppliers and employees (inclusive of GST)	(3,985)	(4,000)
Distributions received	3,638	3,883
Finance revenue	425	804
Finance expenses	(1,018)	(99)
Income tax paid	-	(5,072)
Net cash inflows/(outflows) from operating activities	**2,582**	(2,795)
Cash flows from investing activities		
Payments for property, plant and equipment	(6)	(3)
Payments for equity accounted investments	(1,216)	-
Proceeds from disposal of financial assets	-	8,393
Payments for controlled entities	-	(106,221)
Payment of transaction costs	(103)	(2,235)
Proceeds from disposal of controlled entities	156,267	-
Net cash inflows/(outflows) from investing activities	**154,942**	(100,066)
Cash flows from financing activities		
Proceeds from borrowings	-	24,000
Repayment of borrowings	(20,000)	-
Proceeds from repayment of ESP loans	754	236
Payment of transaction costs to issue capital	(16)	(63)
Distributions paid to stapled securityholders	(4,548)	(5,182)
Distributions paid to external non-controlling interests	(940)	-
Net cash (outflows)/ inflows from financing activities	**(24,750)**	18,991
Net increase/(decrease) in cash and cash equivalents	**132,774**	(83,870)
Cash and cash equivalents at the beginning of the half year	14,814	97,246
Cash balance on (deconsolidation)/ consolidation of controlled entities	(4,402)	5,986
Cash and cash equivalents at the end of the half year	**143,186**	19,362

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

Note 1: Basis of preparation

a) Reporting entity

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

The interim financial report does not include all of the notes and information required for a full annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the 360 Capital Group for the year ended 30 June 2018 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia or at www.360capital.com.au.

Where accounting policies have changed, comparative financial information of the Group has been revised. The accounting policies adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period, except for those disclosed in Note 1(c) below.

b) Basis of preparation

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

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

The interim financial report is presented in Australian dollars.

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

c) Changes in accounting policies and disclosures

The Group applied IFRS 9 and IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 9 *Financial Instruments*
AASB 9 Financial instruments (AASB 9) replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected credit loss (ECL) model when recognising and calculating impairment on financial assets, and also introduces new general hedge accounting requirements.

c) Changes in accounting policies and disclosures (continued)

The Group has adopted AASB 9 retrospectively, with the initial application date being 1 July 2018. Comparative results are not restated as permitted by the standard. The impact of the adoption of AASB 9 is detailed below:

i) Classification and measurement

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. Receivables, previously classified as *Loans and receivables* under IAS 39 are now classified and measured as *Financial assets at amortised cost*.

From 1 July 2018, the Group classifies its financial assets as follows:

- Cash and cash equivalents & trade and other receivables are held at amortised cost. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest (SPPI).
- Financial assets that do not meet the SPPI criterion are measured at fair value through profit and loss (FVTPL).

At initial recognition, the Group measures a financial assets and financial liabilities (other than trade receivables and cash) 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 at FVTPL are subsequently measured at fair value. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

ii) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

Upon adoption of AASB 9, the Group performed ECL provision calculations and as a result no loss allowance has been recognised.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* (AASB 15) 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.

The Group has adopted AASB 15 using the modified retrospective method and this has not had a material impact on the Group.

d) Restatement of equity balances

It has been identified that during prior periods the allocation of equity between the Trust and Company was not correctly stated. Opening balances as at 1 July 2018 have been restated to reflect the correct balances. There was no impact on the Group's net tangible assets or net profit as a result of these misstatements. Explanations of the transactions and resulting adjustments are detailed below:

i) Capital reallocation

In January 2018, the Group completed a Capital Reallocation through the payment of a $47.7 million fully franked dividend from the Company with the proceeds compulsorily reinvested as capital in the Trust. In the financial statements for the year ended 30 June 2018, this was not correctly recorded. As a consequence, Issued Capital – Trust units was understated by $47.7 million and Retained earnings was overstated by $47.7 million. This has been corrected as at 31 December 2018.

ii) Acquisition of Trafalgar Opportunity Fund No.4

In October 2013, the Group completed the acquisition of 360 Capital Property Group. As part of this transaction a restructure occurred whereby Trafalgar Opportunity Fund No. 4 (TOF4) was destapled and its units acquired by 360 Capital Investment Trust, for consideration of $10.8 million, paid for by the issue of units in the Trust. These units issued were subsequently consolidated to preserve the Group's stapling ratio. TOF4 became a 100% owned subsidiary of the Trust. In accounting for this transaction, Issued Capital was overstated by $15.4 million, representing the derecognition of TOF4's Issued Capital of $26.2 million offset by new units issued by the Trust of $10.8 million and Retained Earnings was understated by $15.6 million representing accumulated losses of TOF4 on acquisition.

The misstatements have been corrected by restating each of the affected financial statement line items for the prior period, as follows:

Net Impact on components of equity	**30 June 2018 $'000**	**30 June 2017 $'000**
Issued Capital - Trust units	32,353	(15,361)
Retained earnings - Company	(47,714)	-
Retained earnings - Trust	15,361	15,361
Net Impact on equity	-	-

Note 2: Segment reporting

Segment information is presented in respect of the Group's operating segments, which are the primary basis of segment reporting. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments. The primary segments are based on the Group's management and internal reporting structure.

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

Core operations
The Group reports on the following core business segments:

1) Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds and debt origination fees
2) Investment – equity and debt real estate investment 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 or one-off items of a non-recurring nature are also excluded.

Corporate
Income and expenses for management of the Group on an overall basis are not allocated to the core operation segments. 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 is 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 2: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2018 are as follows:

Year ended 31 December 2018	Investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	262	-	262	-	262
Debt origination revenue	-	174	-	174	-	174
Net property income	-	-	-	-	3,969	3,969
Investment revenue	4,263	-	-	4,263	(1,548)	2,715
Finance revenue	-	47	612	659	-	659
Total revenue and other income	**4,263**	**483**	**612**	**5,358**	**2,421**	**7,779**
Operating expenses	109	1,064	763	1,936	-	1,936
Earnings before interest and tax (EBIT)	**4,154**	**(581)**	**(151)**	**3,422**	**2,421**	**5,843**
Interest expense	-	-	606	606	352	958
Operating profit before tax	**4,154**	**(581)**	**(757)**	**2,816**	**2,069**	**4,885**
Income tax expense	-	-	(373)	(373)	-	(373)
Operating profit (before specific non-cash and significant items)	**4,154**	**(581)**	**(384)**	**3,189**	**2,069**	**5,258**
Interest on Group ESP				122		
Operating earnings used in calculating - diluted operating EPS				**3,311**		
Weighted average number of securities - diluted ('000)				230,042		
Operating profit per security (EPS) - cents - diluted				**1.4**		

Note 2: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2017 are as follows:

Half Year ended 31 December 2017	**Investment**	**Funds management**	**Corporate**	**Total core**	**Consolidation & eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Management fee revenue	-	266	-	266	-	266
Debt origination revenue	-	58	-	58		58
Net property income	-	-	-	-	2,263	2,263
Investment revenue	6,619	-	-	6,619	(3,870)	2,749
Finance revenue	-	81	714	795	9	804
Total revenue and other income	**6,619**	**405**	**714**	**7,738**	**(1,598)**	**6,140**
Operating expenses	108	776	806	1,690	113	1,803
Earnings before interest and tax (EBIT)	**6,511**	**(371)**	**(92)**	**6,048**	**(1,711)**	**4,337**
Interest expense	-	-	237	237	186	423
Operating profit before tax	**6,511**	**(371)**	**(329)**	**5,811**	**(1,897)**	**3,914**
Income tax expense	-	-	(226)	(226)	-	(226)
Operating profit (before specific non-cash and significant items)	**6,511**	**(371)**	**(103)**	**6,037**	**(1,897)**	**4,140**
Interest on Group ESP				284		
Operating earnings used in calculating - diluted operating EPS				**6,321**		
Weighted average number of securities - diluted ('000)				224,459		
Operating profit per security (EPS) - cents - diluted				**2.8**		

Note 2: Segment reporting (continued)

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

	Total core 31 December 2018 $'000	Total core 31 December 2017 $'000	Total 31 December 2018 $'000	Total 31 December 2017 $'000
Profit after tax attributable to stapled securityholders	**830**	27,274		
Profit for the year			**2,012**	37,464
Specific non-cash items				
Net loss/(gain) on fair value of financial assets	1,409	(23,412)	1,409	-
Net (gain)/loss on disposal of financial asset	170	(21)	-	(3,595)
Net gain on fair value of investment properties	-	-	-	(30,000)
Net gain on fair value of derivative financial instruments	-	-	-	(68)
Gain on bargain purchase	-	-	-	(2,727)
Security based payments expense	197	164	197	164
Share of equity accounted profits, net of distributions received	235	544	235	544
Significant items				
Net loss on disposal of controlled entity	-	-	1,103	-
Transaction costs	149	864	103	1,735
Tax effect				
Tax effect of specific non-cash and significant items	199	624	199	623
Operating profit (before specific non-cash and significant items)	**3,189**	6,037	**5,258**	4,140

Note 2: Segment reporting (continued)

As at 31 December 2018	Investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets						
Cash and cash equivalents	123,218	11,317	8,651	**143,186**	-	143,186
Financial assets and equity accounted assets	62,930	-	-	**62,930**	-	62,930
Other assets and intangibles	1,039	4	1,054	**2,097**	-	2,097
Total assets	187,187	11,321	9,705	**208,213**	-	208,213
Liabilities						
Other liabilities	60	45	2,675	**2,780**	-	2,780
Total liabilities	60	45	2,675	**2,780**	-	2,780
Net assets	**187,127**	**11,276**	**7,030**	**205,433**	**-**	**205,433**
ESP Loan Receiveable				15,056		
Net assets used to caluclate NTA per security				**220,489**		
Total ASX issued securities (including ESP securities) - diluted ('000)				230,873		
NTA per security diluted - $				**0.96**		

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**		

Note 3: Distributions and dividends

The Company did not declare any dividends during the half year or up to the date of this report (December 2017: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

	31 December 2018 $'000	31 December 2017 $'000
0.75 cents per unit paid on 26 October 2017	-	1,695
0.75 cents per unit paid on 30 January 2018	-	1,703
1.0 cents per unit paid on 29 October 2018	2,299	-
1.0 cents per unit paid on 24 January 2019	2,309	-
	4,608	3,398

Note 4: Finance expenses

	31 December 2018 $'000	31 December 2017 $'000
Interest and finance charges paid and payable	958	423
	958	423

Note 5: Earnings per stapled security

	31 December 2018 ¢	31 December 2017 ¢
Basic earnings per stapled security	0.4	13.1
Diluted earnings per stapled security	0.4	12.2

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	830	27,274

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	212,230	207,584
Weighted average number of stapled securities - diluted	230,042	224,459

Note 5: Earnings per stapled security (continued)

Dilution

As at 31 December 2018 there is a total of 17,222,034 stapled securities (December 2017: 19,500,000 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 11.

Note 6: Income tax expense

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

	31 December 2018 $'000	31 December 2017 $'000
Profit before tax attributable to stapled securityholders	656	27,672
Income tax expense at the corporate rate of 27.5%	180	7,610
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(468)	(7,793)
Transaction costs adjustment	-	(16)
Fair value of financial asset	-	36
Equity accounted investment profits	(58)	(18)
Employee Security Plan interest income taxable	34	78
Security based payments expense non-tax deductible	54	45
Intercompany transactions	-	299
Other tax adjustments	-	(1)
Income tax (benefit)/expense	**(258)**	240
Adjustment for current tax of prior periods	84	158
Income tax (benefit)/expense recognised in the statement of profit or loss	**(174)**	398

Note 7: Assets held for sale

	31 December 2018 $'000	30 June 2018 $'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

Note 7: Assets held for sale (continued)

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

	Note	31 December 2018 $'000	30 June 2018 $'000
Opening Balance 1 July		261,000	-
Investment properties acquired through consolidation		-	250,000
Investment properties disposed through deconsolidation		(261,000)	-
Fair value adjustment of assets held for sale		-	11,000
Total		**-**	261,000

As a result of the Group's disposal of its investment in AJD on 12 October 2018, the results of AJD have been deconsolidated from the Group's financial results. For more information on the deconsolidation of AJD refer to Note 14.

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.

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

	31 December 2018 $'000	30 June 2018 $'000
Current – held for sale		
Units in unlisted funds managed externally	42,651	44,060
Total current	**42,651**	44,060
Total	**42,651**	44,060

The Group holds investments in the following managed investment schemes:

	31 December 2018 %	30 June 2018 %	31 December 2018 $'000	30 June 2018 $'000
Current				
Unlisted investments subject to put and call option				
Centuria 111 St Georges Terrace Fund	28.1	28.1	20,270	20,270
Centuria Retail Fund	50.0	50.0	19,564	19,564
Unlisted funds managed externally				
Centuria Retail Fund	16.4	16.4	2,817	4,226
Total			**42,651**	44,060

Subsequent to balance date, the call option over the Group's investment in Centuria Retail Fund was exercised and the investment was subsequently disposed on 9 January 2019 for $19.6 million. The Group has a further 16.4% interest in the Centuria Retail Fund, which is not under a put option agreement, which was written down to $2.8 million during the period.

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

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

	31 December 2018 $'000	30 June 2018 $'000
Balance at 1 July	44,060	103,302
Financial assets disposed - listed	-	(4,763)
Financial assets disposed - call option exercised	-	(13,631)
Financial assets consolidated into financial statements	-	(40,242)
Loss on disposal of financial assets	-	(254)
Fair value adjustment of financial assets	(1,409)	(352)
Closing balance	**42,651**	44,060

Note 9: Investments accounted for using the equity method

	31 December 2018 %	30 June 2018 %	31 December 2018 $'000	30 June 2018 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	-	-
Joint venture				
AMF Finance Pty Limited	50.0	50.0	526	352
Co-investment interest				
360 Capital Total Return Fund	25.2	23.7	19,753	18,307
			20,279	18,659

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 31 December 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 25.2% interest in the 360 Capital Total Return Fund. Subsequent to balance date, the Group participated in TOT’s DRP as a sub-underwriter, increasing the Group’s ownership interest to 26.0%.

Note 9: Investments accounted for using the equity method (continued)

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

	31 December 2018 $'000	30 June 2018 $'000
360 Capital Total Return Fund		
Opening balance – 1 July	18,307	19,141
Acquisitions of interest	1,685	-
Equity accounted profit for the year	740	572
Distributions	(979)	(1,406)
Closing Balance	**19,753**	18,307
AMF Finance Pty Limited		
Opening balance – 1 July	352	-
Equity accounted profit for the year	174	352
Closing Balance	**526**	352
Total	**20,279**	18,659

Note 10: Borrowings

	31 December 2018 $'000	30 June 2018 $'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	5,000
Used at end of reporting date	-	(20,000)
Unused at end of reporting date	5,000	5,000
Movement during the financial year:		
Opening balance as at 1 July	49,000	-
Borrowings acquired through the AJD acquisition	-	25,000
Drawdowns from facility	-	24,000
Repayments of facility	(20,000)	-
Borrowings deconsolidated	(29,000)	-
Closing balance	**-**	**49,000**

Note 10: Borrowings (continued)

a) Loan facilities summary

Bankwest facility – (Asia Pacific Data Centre Group)
In the prior period, the Group acquired a controlling interest in Asia Pacific Data Centre Group and as a result AJD was consolidated into the results of the Group, therefore AJD's secured borrowings were included as a loan held by the Group at 30 June 2018. On 12 October 2018, the Group disposed of its investment in AJD and as a result AJD has been deconsolidated from the Group from this date. For more information on the deconsolidation refer to Note 14.

Unsecured facility – First Samuel
The Group repaid its $20.0 million unsecured corporate facility with First Samuel in October 2018 with the proceeds from the disposal of its investment in AJD.

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

Note 11: Equity

(a) Issued capital

	31 December 2018 000's	**30 June 2018[1] 000's**
360 Capital Group Limited - Ordinary shares issued	213,651	210,028
360 Capital Investment Trust - Ordinary units issued	213,651	210,028

	$'000	**$'000**
360 Capital Group Limited - Ordinary shares issued	832	260
360 Capital Investment Trust - Ordinary units issued[1]	192,456	190,011
Total issued capital	**193,288**	**190,272**

[1] Issued capital – Trust units for the prior period have been restated to reflect adjustments from previous periods. Refer to Note 1(d) for more information.

(b) Movements in issued capital

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

	31 December 2018 '000	**30 June 2018 '000**
Opening balance at 1 July	210,028	207,203
Securities issued under the Distribution Reinvestment Plan	2,345	1,425
Employee securities - non-recourse loan repaid during the period	1,278	1,400
Closing balance	**213,651**	210,028

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 11: Equity (continued)

	31 December 2018 000's	30 June 2018 000's
Total ordinary securities disclosed 1 July	213,651	210,028
Issued capital – balance ESP issued in October 2013	4,722	6,000
Issued capital – ESP issued in August 2017	12,500	12,500
Total securities issued on the ASX	**230,873**	228,528

(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 4,722,034 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. During the period 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 KMP's totaled $120,000 for the period.

(d) Distribution Reinvestment Plan

The Group has a Distribution Reinvestment Plan (DRP) which was active for the September 2018 quarter. In July 2018 the Group issued 1,368,599 securities and raised $1.4 million relating to the June 2018 quarterly distribution and in October 2018 issued 976,746 and raised a further $1.0 million relating to the September 2018 quarterly distribution. Post the September 2018 quarter the DRP has been suspended until further notice. Securities were issued at a 1.5% discount to the Group's 10 day average of the daily volume weighted average trading price as per the Group's DRP policy.

(e) Capital Reallocation

On 31 January 2018 the Group completed a Capital Reallocation through the payment of a fully franked special dividend of 21.01 cents per share (franking rate of 30%) from the Company and the compulsory reinvestment as capital in 360 Capital Investment Trust (Trust) of 21.01 cents per unit, which equated to approximately $47.7 million.

Note 12: Other financial assets and liabilities

Fair values

Set out below is a comparison of the carrying amount and fair value of borrowings as at 31 December 2018:

	Carrying amount		Fair value	
	31 December 2018 $'000	30 June 2018 $'000	31 December 2018 $'000	30 June 2018 $'000
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

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.

<u>Fair value hierarchy</u>

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

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

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Note 12: Other financial assets and liabilities (continued)

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

As at 31 December 2018:	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Financial assets at fair value through profit or loss	**42,651**	39,834	-	2,817
Financial liabilities				
Derivative financial instruments	**-**	-	-	-
As at 30 June 2018:				
Financial assets				
Financial assets at fair value through profit or loss	44,060	39,833	-	4,227
Financial liabilities				
Derivative financial instruments	90	-	90	-

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

Valuation techniques

Fair value profit or loss financial assets

For fair value profit or loss financial assets, the Group invests in listed and unlisted investments. The value of the investments in the listed market is stated at unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments. Unlisted investments are not traded in an active market and are categorised as Level 3 instruments, with the exception of unlisted investments held under a put and call agreement, which are valued at the contract price and are categorised as Level 1. NTA of the underlying investments is used as a basis for valuation however may be amended as deemed appropriate (e.g. when the NTA of the underlying investment is negative).

The NTA of investments is driven by underlying investment properties which are carried at fair value based on valuations using the capitalisation rate, markets sale comparison and discounted cash flow approaches (refer to Note 8). 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 13: Business combinations

There were no business combinations or acquisitions of non-controlling interests in the half year ended 31 December 2018. Business combinations which occurred in the prior comparative period are detailed below.

Acquisition of Asia Pacific Data Centre Group

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 was 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 2 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 provisional 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 13: Business combinations (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 on 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. The assessment of net identifiable assets and calculation of bargain on purchase are provisional as at 31 December 2017.

Revenue and profit contribution

The acquired business contributed revenues of $2.3 million and a net profit of $31.2 million to the Group from 6 November 2017 to 31 December 2017.

If the acquisition had occurred on 1 July 2017, consolidated total revenue from continuing operations and the consolidated net profit of AJD for the half year ended 31 December 2017 would have been $6.8 million and $68.2 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	1,948
Total cash outflow to acquire subsidiary	**58,731**

Acquisition related costs

Acquisition related costs of $1.9 million were incurred in the period ended 31 December 2017 and were expensed in the consolidated statement of profit or loss and were included as part of net cash flows from investing activities in the consolidated statement of cash flows. Transaction costs included 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 14: Divestment transaction

Summary of divestment transaction

On 8 October 2018 NEXTDC made an unconditional on-market takeover bid for AJD, to acquire all the AJD securities it did not already own. NEXTDC offered $2.00 per AJD security and AJD securityholders were entitled to receive a special distribution of $0.02 cents per security together with the September 2018 quarterly distribution of $0.02 cents per security.

On 12 October 2018, the Group disposed of its investment in AJD via the takeover offer by NEXTDC for a total consideration of $154.8 million.

Prior to the disposal, the Group held a 67.3% stake in AJD and as a consequence of the disposal, AJD has been deconsolidated from the results of the Group from 12 October 2018.

Details of the disposal consideration to divest the controlling interest in AJD on 12 October 2018 are as follows:

	$'000
Cash received	154,765
Total disposal consideration	**154,765**

Net assets divested:

	$'000
Assets	
Cash and cash equivalents	4,402
Receivables and other current assets	1,020
Investment properties	261,000
Non-current assets	13
Liabilities	
Trade and other payables	5,775
Borrowings	29,000
Derivative financial instruments	90
Carrying value of assets divested	231,570
Less: Non-controlling interests	(75,702)
Carrying value of assets divested excluding non-controlling interest	155,868
Net loss on disposal recognised at balance date	**(1,103)**

The carrying value of net assets divested represents the value of assets and liabilities of AJD at 30 June 2018, adjusted for items that the Group believes can be reliably estimated including rental income and interest expense, the reversal of prepaid rent, the payment of the June 2018 distribution and the accrual of the September 2018 quarterly distribution of 2.0 cpu plus the special distribution of 2.0 cpu. These adjustments have been made to derive the value of net assets disposed of on 12 October 2018. The Group notes that these numbers are provisional as at 31 December 2018.

Note 14: Divestment transaction (continued)

AJD financial information
The takeover offer by NEXTDC for AJD was announced on the 8 October 2018 and the Group accepted into the offer its 67.3% stake in AJD on 12 October 2018. Following the Group's acceptance of the takeover offer, NEXTDC effectively gained control of AJD on 12 October 2018 by obtaining a 97% interest in AJD. NEXTDC announced a compulsory takeover of all the AJD securities it did not already own on 23 October 2018 having acquired a relevant interest in AJD of 98%. On 29 November 2018 AJD was suspended from official quotation on the ASX following the dispatch of compulsory acquisition notices by NEXTDC and on 24 December 2018 AJD was removed from the official list of ASX.

Given the above events the Group has not been able to obtain all relevant financial information relating to AJD's operations or financial position for the period 1 July 2018 to the date of disposal of 12 October 2018. The Group has therefore used the AJD's financial position recorded in its financial statements as at 30 June 2018, adjusted for those items that the Group believes can be reliably estimated to derive the value of net assets disposed of on 12 October 2018.

Income statement
The net profit of AJD for the period from 1 July 2018 to 12 October 2018 included in the Group's results is set out below:

	$'000
Rental income	3,969
Finance expenses	(352)
Net Profit	**3,617**

The Group has included rental income and interest expense of AJD in its results as the Group believes these items can be reliably estimated. The Group's net income and expenses recorded in the profit and loss will be misstated to the extent of difference between the estimated income and expenses above and AJD's actual profit and loss for the period. Any such misstatement will have a corresponding offsetting impact on the loss on disposal of AJD recorded in the Groups profit and loss. The net profit attributed to the securityholders of the Group for the period will not be impacted by any such misstatement.

Net assets on disposal
The net assets of AJD on disposal may be misstated to the extent any movement between 30 June 2018 and 12 October 2018 outside of those movements which the Group has estimated (refer above). These movements will impact the gain or loss on disposal of AJD. Any such misstatement will not impact the net assets of the Group as at 31 December 2018 given the compensating impact of the adjustment to the loss on disposal of AJD. The directors of the Group have assessed the fair value of investment properties owned by AJD at the disposal date and believe they were recorded at fair value. The carrying values were consistent with external valuations conducted by AJD as at 30 June 2018. The value of net assets attributed to the securityholder of the Group at 31 December 2018 should not be impacted by any movements in AJD net assets prior to disposal date.

Disposal consideration – cash flows on disposal

	$'000
Cash consideration received	154,765
Less: Cash and cash equivalents deconsolidated	(4,402)
Inflow of cash upon disposal of subsidiary	**150,363**
Add: Business combination transaction costs expensed through profit or loss	-
Total cash inflow upon disposal	**150,363**

Note 15: Related party transactions

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

Investment in related entity
During the period, the Group acquired 468,634 securities in 360 Capital Total Return Fund through the Fund's DRP, plus an additional 1,216,399 securities on market during the half year.

Other than noted above, there have been no significant changes to the type or nature of related party transactions compared to those disclosed in the last Annual report at 30 June 2018.

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

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.

Note 16: Events subsequent to balance date

On 9 January 2019, Centuria exercised its call option over the Group's units held in the Centuria Retail Fund for $19.6 million which was equal to the carrying value at 31 December 2018. The Group continues to hold a residual interest of 16.4% in the Centuria Retail Fund which is not subject to a put option.

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

360 Capital Group
Directors' declaration
For the half year ended 31 December 2018

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

1) The consolidated financial statements and notes that are set out on pages 9 to 36 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

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

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
27 February 2019

Building a better working world

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year 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 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
27 February 2019

360 Capital
Group