ASX Release | Appendix 4D

360 Capital Group

For the half year ended 31 December 2017

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 2017. 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 2017 Financial Report. The Interim Financial Report for the half year ended 31 December 2017 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2017 – 31 December 2017

Prior corresponding period: 1 July 2016 – 31 December 2016

Results for announcement to the market:

	31 Dec 2017 $'000	31 Dec 2016 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	41,986	107,984	(65,998)	(61.1)
Profit from ordinary activities after tax attributable to stapled securityholders	27,274	53,445	(26,171)	(49.0)
Operating profit [1]	6,037	9,166	(3,129)	(34.1)

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

	31 Dec 2017 Cents	31 Dec 2016 Cents	Movement Cents	Movement %
Basic earnings per stapled security	13.1	24.1	(11.0)	(45.6)
Diluted earnings per stapled security	12.2	22.3	(10.1)	(45.3)
Operating earnings per stapled security	2.8	4.1	(1.3)	(31.7)

360 Capital Group

For the half year ended 31 December 2017

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 2017 quarter distribution	0.75	1,694	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**	
September 2016 quarter distribution	1.625	3,893	28 October 2016
December 2016 quarter distribution	1.625	3,894	25 January 2017
Total distribution for the period ended 31 December 2016	**3.25**	**7,787**	

Net tangible assets per security:

	31 Dec 2017 $	31 Dec 2016 $
Net tangible assets (NTA) diluted per security [2]	1.06	0.93

[2] The number of securities on issue on the Australian Stock Exchange (ASX) at 31 December 2017 is 227.1 million (December 2016: 239.6 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 207.6 million (December 2016: 222.3 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 13 of the Interim Financial Report.

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

360 CAPITAL GROUP

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 2017

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 2017 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 2017. 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 brokerage 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.

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of 360 Capital Group for the half year ended 31 December 2017 was $27.3 million (December 2016: $53.4 million). The operating profit (profit before specific non-cash items and significant items) was $6.0 million (December 2016: $9.2 million).

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

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of 360 Capital Group and operating profit. The operating profit information in the table has not been subject to any specific audit procedures by the Group's auditor but has been extracted from Note 2 of the accompanying financial statements for the half year ended 31 December 2017, which have been subject to review; refer to page 35 for the auditor's review report on the financial statements.

Operating and financial review (continued)

	Total core 31 December 2017 $'000	Total core 31 December 2016 $'000
Profit after tax attributable to stapled securityholders of 360 Capital Group	**27,274**	53,445
Specific non-cash items		
Net (gain)/loss on fair value of financial assets	(23,412)	7,542
Net gain on fair value of derivative financial instruments	-	(229)
Security based payment expense	164	-
Share of equity accounted profits, net of distribution received	544	(1,180)
Net gain on disposal of financial assets	(21)	-
Significant items		
Net gain on disposal of subsidiary	-	(77,621)
Transaction costs	864	4,968
Write-off deferred borrowing costs	-	1,195
Acquisition and underwrite fees recognised	-	1,955
Tax effect		
Tax effect of non-cash and significant items	624	19,091
Operating profit (profit before specific non-cash and significant items)	**6,037**	9,166

The key financial highlights for the half year ended 31 December 2017 include:

- Statutory net profit attributable to stapled securityholders of $27.3 million (December 2016: $53.4 million)
- Statutory basic earnings per security (EPS) of 13.1 cps (December 2016: 24.1 cps)
- Operating profit of $6.0 million (December 2016: $9.2 million)
- Operating diluted EPS[1] of 2.8 cps (December 2016: 4.1 cps)
- Distributions of 1.50 cps (December 2016: 3.25 cps)
- Net assets attributable to security holders increased 12.3% to $223.6 million from $199.1 million as at 30 June 2017
- Security trading price of $1.05 per security (June 2017: $0.97)

The key operating achievements for the half year ended 31 December 2017 include:

- Completed the acquisition of 67.3% of Asia Pacific Data Centre Group (ASX: AJD) for $142.2 million;
- Entered the non-bank real estate lending through 360 Capital Total Return Fund (ASX: TOT) and resourced business for growth;
- Post balance date completed a $47.7 million capital reallocation within the Group;
- Settled a further $3.6 million of unlisted securities under option with Centuria with an additional $50.1 million to be settled by January 2019; and
- Continued to expand the Group's private client relationships as part of diversifying our capital sources for future growth

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

Operating and financial review (continued)

Financial results

Statutory results
The Group's statutory net profit attributable to securityholders for the half year ended 31 December 2017 was $27.3 million, equating to 13.1 cps. The current period statutory profit included the gain on bargain purchase of $2.7 million on consolidation of Asia Pacific Data Centre Group (ASX: AJD) resulting from the Group's acquisition of a 67.3% stake in the listed property fund together with the fair value gain on AJD's investment properties of $30.0 million during the period. The decrease in statutory net profit from the prior period was due to the prior period disposal of the Group's funds management business, which realised a gain of $77.6 million (before costs) and recognised an associated net tax expense of $20.5 million for the prior period.

The Group's statutory balance sheet as at 31 December 2017 was impacted by the consolidation of AJD. The investment properties held for sale by AJD of $280.0 million and secured borrowings $29.0 million were recognised as a result of the consolidation.

Operating results
The operating profit for the half year ended 31 December 2017 was $6.0 million, equating to an operating diluted EPS of 2.8 cps. The result reflects a decrease in fund management revenue of $6.9 million resulting from the sale of the Group's fund management business in the prior period. This was offset by a $0.8 million decrease in operating expenses by 32.0% from the prior period to $1.7 million resulting from rationalisation of the business.

Acquisition of Asia Pacific Data Centre Group

Acquisition of controlling interest
AJD is a ASX listed stapled security comprising Asia Pacific Data Centre Holdings Limited (APDC Holdings) stapled to Asia Pacific Data Centre Trust (APDC Trust). AJD is a 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.

On 13 September 2017, 360 Capital Group made an unconditional, all-cash off-market takeover offer (Offer) for AJD for $1.95 per AJD security. A Bidder's Statement was lodged with the ASX on 26 September 2017. Prior to the Offer, the Group held 19.9% of the total securities of AJD. By the end of the Offer, the Group had an interest in AJD of 67.3% thus establishing effective control of the entity. As a result, AJD is consolidated into the Group's financial results from 6 November 2017.

Portfolio expression of interest campaign
On 19 December 2017, the AJD announced that it had resolved to seek expressions of interest in respect of the sale of its investment property portfolio. Following the announcement, on 21 December 2017, AJD appointed Savills and Cushman Wakefield to undertake a sales campaign for the sale of assets. On 14 February 2018 AJD announced that it had agreed terms and exchanged non-binding letters with the preferred purchaser for the sale of the portfolio at an agreed price of $280.0 million. At the date of this report the agreement for the sale of the portfolio is non-binding and subject to securityholder approval, FIRB and other approvals and as such there is no guarantee that the sale will proceed.

Meeting on wind up APDC Trust
On 14 December 2017, NXT advised to the securityholders of APDC Trust that it intended to convene a meeting to wind up APDC Trust. The meeting was scheduled on 31 January 2018. On 29 January 2018, 360 Capital Group initiated proceedings in the supreme court of NSW seeking declaratory relief that it is entitled to vote at the meeting. The parties have provided withdrawals to the court to cause the adjournment of the meeting until 5 business days after the proceedings have been determined.

Capital management and strategy

Following the sale of the majority of its funds management business and co-investments in the prior period, the Group has been focused on investment opportunities in real estate markets which provide increased capital preservation given the Group's views on the Australian property cycle.

The Group is now focused on two areas of business:

1. Real estate equity investment in sectors providing superior returns
2. Real estate debt investment

Management is focused on ensuring it has a diverse range of capital sources to enable the Group to execute on its growth strategies. These include focusing on:

- Partnering with public capital via 360 Capital Total Return Fund (ASX: TOT) and the proposed 360 Capital Mortgage REIT;
- Partnering with private capital including high net worth individuals and family offices;
- Building strong relationships with banks and debt capital providers.

Real estate equity investment in sectors providing superior returns

The Group has two core investment segment equity investments totalling $188.5 million across a 67.3% interest in AJD and a 23.7% interest in TOT.

The Group has exposure to non-bank lending activities through its $18.6 million investment in TOT. The Group has gained exposure to the data centre real estate sector through its investment in AJD.

Real estate debt investment

Given the Group's views on the market for traditional real estate assets in Australia, the Group is focused on expanding into non-bank lending activities. With the Australian Prudential Regulation Authority (APRA) continuing to place restraints on the Australian banks capital allocation to certain property sectors, we see real estate debt investment as a strong growth area for the Group.

Currently only 20% of real estate financing is through non-bank sources. With the restraints currently on banks, non-bank lending to commercial property is expected to double over the next few years creating a $30.0 billion opportunity.

Over the past 6 months, through AMF Finance, the Group's joint venture with TOT, the Group has reviewed over $1.0 billion in transactions. TOT is forecasting to have all of its available capital allocated to non-bank lending by the end of March 2018.

To date, the approved transactions have been in the $5.0 million to $50.0 million range, and the Group has sourced these from brokers or directly. Typical internal rates of return (IRRs) from these real estate debt investments are between 12-15% per annum.

Whilst the Group has been approached by several Australian banks to partner on lending transactions we are also focused on growing its broker networks.

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

Capital management and strategy (continued)

The Group is developing a new listed first mortgage fund. The proposed fund will provide retail investors access to strong monthly returns as well as assisting unlisted wholesale investors and the Group's capital partners gain exposure to first mortgage debt investments.

Given the increased volume in transaction activities, the Group appointed David Grauaug as Head of Real Estate Debt and James Cama as Manager of Real Estate Debt.

Non-core investments

Over the past 6 months, the Group continued to reduce its exposure to the unlisted funds previously managed by 360 Capital, with the disposal of all of its units owned in the Centuria Havelock House Fund for $3.6 million.

The Group's remaining non-core unlisted investments comprise: $30.5 million in Centuria 111 St Georges Terrace Fund which is under a put and call option providing the Group with a 7.5% guaranteed return until its put option date in January 2019 and $24.1 million in Centuria Retail Fund, of which $19.6 million is also under a put and call option on the same basis.

Capital management

The Group has invested a total of $142.2 million into its investment in AJD. This was funded from existing cash reserves and a $20.0 million unsecured corporate facility for 2 years which was fully drawn as part of the AJD takeover. This is the only debt the Group has on core balance sheet.

During the period the Group has issued 12.5 million securities at $0.98 per security under a three year employee security plan with a total shareholders return 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 $12.2 million.

As a result of the Group's sale of the majority of its funds management business, subsequent to balance date the Group undertook a Capital Reallocation to rebalance the capital between the Trust and the Company. The Group's capital restructure provides 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.

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.

Summary and Outlook

The 360 Capital Group will continue its strategy of being a property fund manager and investor, however, the Group will also look to sponsor transactions with TOT and institutional partners as opportunities arise. The Group will continue to monitor opportunities and look at growing revenue streams and continue to be opportunistic in its approach to creating value for our investors.

Dividends and distributions

The Company did not declare any dividends during the half year or up to the date of this report (December 2016: Nil).

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

	31 December 2017 $'000	31 December 2016 $'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
0.750 cents per unit paid on 26 October 2017	1,695	-
0.750 cents per unit paid on 30 January 2018	1,703	-
	3,398	7,787

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

Other than as disclosed above in relation to the AJD expression of interest campaign, the APDC Trust wind up proposal and the 360 Capital Group's special dividend and associated capital reallocation, 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 2017.

Rounding of amounts

360 Capital Group is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC). In accordance with that Instrument, amounts in the 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
28 February 2018

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

As lead auditor for the review of 360 Capital Group Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Mark Conroy
Partner
28 February 2018

360 Capital Group
Consolidated interim statement of profit or loss and other comprehensive income
For the half year ended 31 December 2017

	Note	31 December 2017 $'000	31 December 2016 $'000
Revenue from continuing operations			
Rental from investment properties		2,263	15,559
Funds management fees		266	4,122
Distributions from property funds		2,046	5,610
Finance revenue		804	178
Total revenue from continuing operations		**5,379**	25,469
Other income			
Net gain on disposal of subsidiary	14	-	77,621
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	1,782
Net gain on fair value of derivative financial instruments		68	1,649
Share of equity accounted profits		217	1,463
Total other income		**36,607**	82,515
Total revenue from continuing operations and other income		**41,986**	107,984
Investment property expenses		-	5,676
Employee benefit expenses		1,310	1,968
Administration expenses		653	723
Depreciation expenses		3	6
Finance expenses	4	423	7,503
Transaction costs		1,735	4,968
Net loss on fair value of financial assets		-	8,498
Net loss on sale of investment properties		-	355
Profit from continuing operations before income tax		**37,862**	78,287
Income tax expense	6	398	20,531
Profit for the half year		**37,464**	57,756

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

	Note	31 December 2017 $'000	31 December 2016 $'000
Profit for the half year		**37,464**	57,755
Other comprehensive income for the half year		-	-
Total comprehensive income for the half year		**37,464**	57,755
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		(1,063)	57,220
Unitholders of 360 Capital Investment Trust		28,337	(3,775)
Profit after tax attributable to the stapled securityholders		**27,274**	53,445
External non-controlling interests		10,190	4,311
Profit for the half year		**37,464**	57,756

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		**Cents**	**Cents**
Basic earnings per security	5	**13.1**	24.1
Diluted earnings per security	5	**12.2**	22.3

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 2017

	Note	31 December 2017 $'000	30 June 2017 $'000
Current assets			
Cash and cash equivalents		19,362	97,246
Receivables		882	1,876
Financial assets at fair value through profit or loss		-	4,743
Assets held for sale	7	280,000	-
Other current assets		166	88
Total current assets		**300,410**	103,953
Non-current assets			
Financial assets at fair value through profit or loss	8	54,687	98,559
Investments equity accounted	9	18,655	19,141
Property, plant and equipment		41	43
Deferred tax assets		187	268
Total non-current assets		**73,570**	118,011
Total assets		**373,980**	221,964
Current liabilities			
Trade and other payables		1,365	920
Borrowings	10	29,000	-
Distribution payable		3,583	3,487
Income tax payable		13,563	18,335
Provisions		46	45
Derivative financial instrument		295	-
Total current liabilities		**47,852**	22,787
Non-current liabilities			
Borrowings	10	20,000	-
Provisions		63	86
Total non-current liabilities		**20,063**	86
Total liabilities		**67,915**	22,873
Net assets		**306,065**	199,091

360 Capital Group
Consolidated interim statement of financial position
As at 31 December 2017

	Note	31 December 2017 $'000	30 June 2017 $'000
Equity			
Issued capital - ordinary shares	11	7	-
Issued capital - trust units	11	155,931	155,765
Security based payments reserve		6,244	6,106
Retained earnings		61,380	37,220
Total equity attributable to stapled Securityholders		**223,562**	199,091
External non-controlling interest		82,503	-
Total equity		**306,065**	199,091

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

360 Capital Group
Consolidated interim statement of changes in equity
For the half year ended 31 December 2017

	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Retained earnings/ (Accumulated losses) $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	-	155,765	6,106	37,220	199,091	-	199,091
Total comprehensive income for the year	-	-	-	27,274	27,274	10,190	37,464
Non-controlling interest arising on business combinatior	-	-	-	-	-	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**	**61,380**	**223,562**	**82,503**	**306,065**
Balance at 1 July 2016	6,488	162,595	5,119	(8,765)	165,437	79,302	244,739
Total comprehensive income for the year	-	-	-	53,445	53,445	4,311	57,756
Transactions with non-controlling interest	-	-	-	(103)	(103)	(66,430)	(66,533)
Transactions with Securityholders in their capacity as Securityholders							
Issued shares/units - ESP	78	524	-	-	602	-	602
Security based payment transactions	-	-	585	-	585	-	585
Equity raising transaction costs	-	-	-	-	-	(29)	(29)
Dividends/distributions	-	-	-	(7,787)	(7,787)	(17,154)	(24,941)
	78	524	585	(7,787)	(6,600)	(17,183)	(23,783)
Balance at 31 December 2016	6,566	163,119	5,704	36,790	212,179	-	212,179

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 2017

	31 December 2017 $'000	31 December 2016 $'000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST)	1,689	23,411
Cash payments to suppliers and employees (inclusive of GST)	(4,000)	(8,951)
Distributions received	3,883	5,442
Finance revenue	804	179
Finance expenses	(99)	(5,747)
Income tax paid	(5,072)	(878)
Net cash (outflows)/inflows from operating activities	**(2,795)**	13,456
Cash flows from investing activities		
Payments for investment properties	-	(3,129)
Proceeds from disposal of investment properties	-	38,350
Payments for property, plant and equipment	(3)	(1)
Proceeds from disposal of financial assets	8,393	-
Proceeds from repayment of ESP loans	236	602
Payments for controlled entities	(106,221)	-
Proceeds for disposal subsidiary - net of cash divested	-	(5,037)
Payment of transaction costs	(2,235)	(595)
Net cash (outflows)/inflows from investing activities	**(99,830)**	30,190
Cash flows from financing activities		
Proceeds from borrowings	24,000	722
Repayment of borrowings	-	(13,705)
Payment of transaction costs to issue capital	(63)	-
Distributions paid to stapled securityholders	(5,182)	(7,637)
Distributions paid to external non-controlling interests	-	(16,867)
Proceeds from issue of capital to non-controlling interest	-	3,501
Net cash inflows/(outflows) from financing activities	**18,755**	(33,986)
Net (decrease)/increase in cash and cash equivalents	**(83,870)**	9,660
Cash and cash equivalents at the beginning of the half year	97,246	13,732
Cash balance on consolidation/(deconsolidation) of controlled entities	5,986	(6,936)
Cash and cash equivalents at the end of the half year	**19,362**	16,456

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 2017 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 2017 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia or at www.360capital.com.au.

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

For the period commencing 1 July 2017, the Group has not adopted any new accounting standards or amendments.

b) Basis of preparation

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

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

The interim financial report is presented in Australian dollars.

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

c) Business combinations

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.

Note 1: Basis of preparation (continued)

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

In the event that the acquiree's proportionate share of net identifiable net assets acquired is greater than the consideration transferred and the amount recognised for non-controlling interests, a gain on bargain purchase arises which is recognised as a gain in profit or loss at the acquisition date.

Note 2: Segment reporting

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

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

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

1) Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
2) 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 one off items are also excluded.

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

Consolidation and eliminations
Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from 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 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	-	324	-	324	-	324
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)

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

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

Note 2: Segment reporting (continued)

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

	Total core 31 December 2017 $'000	**Total core 31 December 2016 $'000**	**Total 31 December 2017 $'000**	**Total 31 December 2016 $'000**
Profit after tax attributable to stapled securityholders	**27,274**	53,445		
Profit for the year			**37,464**	57,756
Specific non-cash items				
Net (gain)/loss on fair value of financial assets	(23,412)	7,542	-	8,508
Net gain on fair value of investment properties	-	-	(30,000)	(1,782)
Net gain on fair value of derivative financial instruments	-	(229)	(68)	(1,649)
Net gain on disposal of financial asset	(21)	-	(3,595)	-
Security based payments expense	164	-	164	-
Share of equity accounted profits, net of distributions received	544	(1,180)	544	(1,180)
Straight-lining of lease revenue and incentives	-	-	-	264
Significant items				
Gain on bargain purchase	-	-	(2,727)	-
Net gain on disposal of subsidiary	-	(77,621)	-	(77,621)
Transaction costs	864	4,968	1,735	4,968
Write-off deferred borrowing costs	-	1,195	-	1,195
Net loss on disposal of investment properties	-	-	-	355
Acquisition and underwrite fees	-	1,955	-	1,955
Tax effect				
Tax effect of specific non-cash and significant items	624	19,091	623	19,091
Operating profit (before specific non-cash and significant items)	**6,037**	9,166	**4,140**	11,860

Note 2: Segment reporting (continued)

As at 31 December 2017	Investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets						
Cash and cash equivalents	116	10,722	781	**11,619**	7,743	19,362
Assets held for sale	-	-	-	**-**	280,000	280,000
Financial assets and equity accounted assets[1]	243,217	-	-	**243,217**	(169,875)	73,342
Other assets	4,582	161	301	**5,044**	(3,768)	1,276
Total assets	247,915	10,883	1,082	**259,880**	114,100	373,980
Liabilities						
Borrowings	-	-	20,000	**20,000**	29,000	49,000
Other liabilities	153	116	16,049	**16,318**	2,597	18,915
Total liabilities	153	116	36,049	**36,318**	31,597	67,915
Net assets	**247,762**	**10,767**	**(34,967)**	**223,562**	**82,503**	**306,065**

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
Assets held for sale	4,743	-	-	**4,743**	-	4,743
Financial assets and equity accounted assets	117,700	-	-	**117,700**	-	117,700
Other assets	1,845	45	385	**2,275**	-	2,275
Total assets	125,159	11,193	85,612	**221,964**	-	221,964
Liabilities						
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**

[1] The Group's investment in AJD is recorded at the 31 December 2017 NTA of $2.20 per security.

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 2016: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

	31 December 2017 $'000	31 December 2016 $'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
0.750 cents per unit paid on 26 October 2017	1,695	-
0.750 cents per unit paid on 30 January 2018	1,703	-
	3,398	7,787

Note 4: Finance expenses

	31 December 2017 $'000	31 December 2016 $'000
Interest and finance charges paid and payable	423	5,893
Write-off deferred borrowing costs	-	1,195
Borrowing cost amortisation	-	415
	423	7,503

Note 5: Earnings per stapled security

	31 December 2017 ¢	31 December 2016 ¢
Basic earnings per stapled security	**13.1**	24.1
Diluted earnings per stapled security	**12.2**	22.3

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	**27,274**	53,445

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	207,584	221,305
Weighted average number of stapled securities - diluted	224,459	239,603

Note 5: Earnings per stapled security (continued)

Dilution

As at 31 December 2017 there is a total of 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 12.

Note 6: Income tax expense

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

	31 December 2017 $'000	31 December 2016 $'000
Profit before tax attributable to stapled securityholders	27,672	73,976
Income tax expense at the corporate rate of 27.5%	7,610	22,193
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(7,793)	1,133
Accounting profit on sale of subsidiary	-	(23,286)
Capital gain on disposal of subsidiary	-	24,297
Capital gain on disposal of investment	-	421
Transaction costs adjustment	(16)	219
Fair value of financial asset	36	-
Equity accounted investment profits	(18)	(439)
Employee Security Plan interest income taxable	78	174
Security based payments expense non-tax deductible	45	1
Intercompany transactions	299	-
Tax deferred distribution income	-	(91)
Other tax adjustments	(1)	91
Income tax expense	**240**	24,712
Adjustment for current tax of prior periods	158	(241)
Utilisation of prior year capital losses previously not brought to account	-	(3,940)
Income tax expense recognised in the statement of profit or loss	**398**	20,531

Note 7: Assets held for sale

	31 December 2017 $'000	30 June 2017 $'000
Investment properties		
S1, Macquarie Park, Sydney, NSW	110,000	-
M1, Port Melbourne, Melbourne, VIC	130,000	-
P1, Malaga, Perth, WA	40,000	-
Total	**280,000**	-

Note 7: Assets held for sale (continued)

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

	Note	31 December 2017 $'000	30 June 2017 $'000
Opening Balance 1 July		-	
Investment properties acquired through consolidation		250,000	-
Fair value adjustment of assets held for sale		30,000	-
Total		**280,000**	-

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 13.

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. The valuation of the properties is further supported by the outcome of the expression of interest (EOI) campaign commencing in December 2017 in relation to the sale of the portfolio which has resulted in an exclusive due diligence process with the bidder at an offer price of $280.0 million. Refer to Note 16 for more information on the EOI campaign. At the date of this report the agreement for the sale of the portfolio is non-binding and subject to securityholder approval, FIRB and other approvals and as such there is no guarantee that the sale will proceed. At the balance date, these investment properties are classified as held for sale.

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

	31 December 2017 $'000	30 June 2017 $'000
Current – held for sale		
Units in listed funds managed externally	-	4,743
	-	4,743
Non-current		
Units in listed funds managed externally	-	40,242
Units in unlisted funds managed externally	54,687	58,317
	54,687	98,559
Total	**54,687**	103,302

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

The Group holds investments in the following managed investment schemes:

	31 December 2017 %	30 June 2017 %	31 December 2017 $'000	30 June 2017 $'000
Current				
Industria REIT	-	1.3	-	4,743
				4,743
Non-current				
Unlisted investments subject to put and call option				
Centuria 111 St Georges Terrace Fund	42.3	42.3	30,544	30,544
Centuria Havelock House Fund	-	28.0	-	3,630
Centuria Retail Fund	50.0	50.0	19,564	19,564
Unlisted funds managed externally				
Centuria Retail Fund	16.4	16.4	4,579	4,579
Listed funds				
Asia Pacific Data Centre Group	-	19.9	-	40,242
			54,687	98,559
Total			**54,687**	103,302

During the half 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. 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 13 for further information.

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

	31 December 2017 $'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
Reclassified to equity accounted investment	-	(8,567)
Financial assets disposed - listed	(4,763)	(132,288)
Financial assets disposed - call option exercised	(3,631)	(5,194)
Financial assets consolidated into financial statements	(40,242)	-
Gain on disposal of financial assets	21	-
Fair value adjustment of financial assets	-	(4,057)
Other movements	-	237
Closing balance	**54,687**	103,302

Note 9: Investments accounted for using the equity method

	31 December 2017 %	30 June 2017 %	31 December 2017 $'000	30 June 2017 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	-	-
Joint venture				
Australian Mezzanine Finance Pty Limited	50.0	50.0	58	-
Co-investment interest				
360 Capital Total Return Fund	23.7	23.7	18,597	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 31 December 2017, the partnership was dormant and was in the process of being wound up.

Joint venture

The Group holds a 50% stake in Australian Mezzanine 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. This revenue stream will add to the Active Fund's earnings.

Co-investment interest

The Group holds a 23.7% interest in the 360 Capital Total Return Fund.

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

	31 December 2017 $'000	30 June 2017 $'000
360 Capital Total Return Fund		
Opening balance – 1 July	19,141	-
Reclassified from Financial assets at fair value	-	8,567
Acquisitions of interest	-	9,371
Equity accounted profit for the year	159	2,377
Distributions	(703)	(1,174)
Closing Balance	**18,597**	19,141
Australian Mezzanine Finance Pty Limited		
Opening balance – 1 July	**-**	-
Equity accounted profit for the year	58	-
Closing Balance	**58**	-
Total	**18,655**	19,141

Note 10: Borrowings

	31 December 2017 $'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	-	-

a) Loan facilities summary

Bankwest facility – (Asia Pacific Data Centre Group)
As a result of the acquisition of a controlling interest in Asia Pacific Data Centre Group (ASX: AJD) during the half year, AJD is consolidated into the results of the Group at 31 December 2017 therefore AJD's secured borrowings are included as a loan held by the Group at balance date. For more information on the acquisition refer to Note 13.

The five-year $29.0 million facility is drawn to $29.0 million 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. 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 period.

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

Note 11: Equity

(a) Issued capital

	31 December 2017 000's	30 June 2017 000's
360 Capital Group Limited - Ordinary shares issued	207,603	207,203
360 Capital Investment Trust - Ordinary units issued	207,603	207,203

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	7	-
360 Capital Investment Trust - Ordinary units issued	155,931	155,765
Total issued capital	**155,938**	155,765

(b) Movements in issued capital

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

	31 December 2017 000's	30 June 2017 000's
Total ordinary securities disclosed 1 July	207,203	221,233
Employee securities - non-recourse loan repaid during the period	400	10,970
Securities bought back on-market and cancelled during the year	-	(25,000)
Total securities issued on the ASX	**207,603**	207,203

	$'000	$'000
Opening balance	155,765	169,083
Employee securities - non-recourse loan repaid during the period	236	6,473
Securities bought back on-market and cancelled during the year	-	(22,521)
Transfer to retained earnings	-	2,731
Transaction costs to issue capital	(63)	-
Closing balance	**155,938**	155,765

(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 7,000,000 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.

Note 11: Equity (continued)

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

Note 12: 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 2017:

	Carrying amount		Fair value	
	31 December 2017 $'000	30 June 2017 $'000	31 December 2017 $'000	30 June 2017 $'000
Financial liabilities				
Borrowings	49,000	-	49,000	-
Derivative financial instruments	295	-	295	-
Total financial liabilities	**49,295**	-	**49,295**	-

The fair value of receivables, trade and other payables and distributions payable approximate their carrying amounts largely due to short-term maturities of these instruments. The fair values quoted in the above table in relation to non-current liabilities are all categorised within the fair value hierarchy as level 2 inputs.

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

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

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

Note 12: Other financial assets and liabilities (continued)

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

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 31 December 2017:				
Financial assets				
Financial assets at fair value through profit or loss	**54,687**	50,108	-	4,579
Financial liabilities				
Derivative financial instruments	**295**	295	-	-
As at 30 June 2017:				
Financial assets				
Financial assets at fair value through profit or loss	103,302	98,723	-	4,579
Financial liabilities				
Derivative financial instruments	-	-	-	-

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 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 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 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 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 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 14: Divestment of subsidiary and investments

Summary of divestment transaction
In the prior period, the Group completed a transaction to sell the majority of its funds management platform and co-investment stakes in its listed and unlisted funds to Centuria Capital Group (Centuria)(ASX code: CNI) and associates for $290.7 million. This involved the sale of 360 Capital Investment Management Limited (CIML) a wholly owned subsidiary and the disposal of the Group's holdings in TIX and TOF, together with entering into a put and call option over the majority of its remaining stakes in the unlisted funds (the Transaction). The Transaction was settled on 9 January 2017.

Net assets divested:

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

Note 15: Related party transactions

Other than noted below, 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 2017.

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.

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

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

Note 16: Events subsequent to balance date

AJD Portfolio expression of interest campaign
On 19 December 2017, AJD announced that it had resolved to seek expressions of interest in respect of the sale of AJD's assets. Following the announcement, on 21 December 2017, AJD appointed Savills and Cushman Wakefield to undertake a sales campaign for the sale of assets. On 14 February 2018 AJD announced that it has agreed terms and exchanged non-binding letters with the preferred purchaser for the sale of the portfolio at an agreed price of $280.0 million. At the date of this report the agreement for the sale of the portfolio is non-binding and subject to securityholder approval, FIRB and other approvals and as such there is no guarantee that the sale will proceed.

Note 16: Events subsequent to balance date (continued)

Meeting on wind up APDC Trust

On 14 December 2017, NXT advised to the securityholders of APDC Trust that it intended to convene a meeting to wind up APDC Trust. The meeting was scheduled on 31 January 2018. On 29 January 2018, 360 Capital Group initiated proceedings in the supreme court of NSW seeking declaratory relief that it is entitled to vote at the meeting. The parties have provided withdrawals to the court to cause the adjournment of the meeting until 5 business days after the proceedings have been determined.

Capital Relocation

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.

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.

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

1) The consolidated financial statements and notes that are set out on pages 9 to 33 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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
28 February 2018

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Independent Auditor's Review Report to the Members 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 (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 2017 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 2017 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.

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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
28 February 2018