

360 CAPITAL INVESTMENT TRUST

Interim Financial Report For the half year ended 31 December 2018

Comprising 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 of 360 Capital Investment Trust 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*.

360 Capital Investment Trust

Directors' report

For the half year ended 31 December 2018

The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity of 360 Capital Investment Trust (Trust) present their report, together with the interim financial report of 360 Capital Investment Trust and its controlled entities (consolidated entity) for the half year ended 31 December 2018.

The consolidated entity forms part of the stapled entity, 360 Capital Group (Stapled Group or Group) (ASX code: TGP) comprising 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities.

Directors

The following persons were Directors of 360 Capital FM 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 consolidated entity is a diversified real estate investment trust. The principal activities during the course of the half year were focused on the core business segment representing investment in real estate debt and equity 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 the consolidated entity during the half year.

Operating and financial review

The key financial highlights for the half year ended 31 December 2018 include:

- Statutory net profit attributable to unitholders of \$1.7 million (December 2017: \$28.3 million)
- Operating profit¹ of \$3.7 million (December 2017: \$6.4 million)
- Statutory Earnings per Unit (EPU) of 0.8 cpu (December 2017: 13.7 cpu)
- Distributions per Unit (DPU) of 2.0 cpu (December 2017: 1.5 cpu)

The key operating achievements for the half year ended 31 December 2018 include:

- Disposed of its 67.3% investment in Asia Pacific Data Centre Group for \$154.0 million;
- Post balance date, settled \$19.6 million of unlisted units under option with Centuria Capital Group (Centuria) with an additional \$20.3 million to be settled by June 2019

1 Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash items and significant items. The Responsible Entity considers operating profit to reflect the core earnings of the Trust and it is used as a guide to assess the Trust's ability to pay distributions to unitholders. The operating profit has not been subject to any specific audit procedures by the Trust's auditor but has been extracted from Note 2: Segment reporting.

360 Capital Investment Trust
Directors' report
For the half year ended 31 December 2018

Operating and financial review (continued)

The statutory profit attributable to the unitholders of the consolidated entity for the half year ended 31 December 2018 was \$1.7 million (December 2017: \$28.3 million). The current period statutory profit includes a \$1.4 million net loss on revaluation of the consolidated entity's remaining 16.4% interest in Centuria Retail Fund not under a put option agreement. The prior period statutory net profit included the gain on bargain purchase of \$2.9 million on consolidation of Asia Pacific Data Centre Trust (APDC Trust) resulting from the Group's acquisition of a 67.3% stake in the listed property fund Asia Pacific Data Centre Group (AJD) together with the fair value gain on APDC Trust's investment properties of \$30 million.

The operating profit (profit before specific non-cash and significant items) was \$3.7 million (December 2017: \$6.4 million) following a reduction in investment revenue during the period following the sale of APDC Trust.

The consolidated entity's statutory balance sheet as at 31 December 2018 was impacted by the deconsolidation of APDC Trust, refer Note 13: Divestment Transaction for further information.

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 (AJD) 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.

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.

Distributions

Distributions declared by 360 Capital Investment Trust directly to unitholders 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 stapled security paid on 29 October 2018 | 2,299 | - |
| 1.0 cents per stapled security 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 the consolidated entity 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 consolidated entity continues to focus on its investments in property funds to generate capital and income returns for its investors.

360 Capital Investment Trust
Directors' report
For the half year ended 31 December 2018

Events subsequent to balance date

On 9 January 2019, Centuria exercised its call option over the Trust's units held in the Centuria Retail Fund for \$19.6 million which was equal to the carrying value at 31 December 2018. The Trust 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity 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 5 and forms part of the Directors' report for the half year ended 31 December 2018.

Rounding of amounts

The consolidated entity 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

Auditor's Independence Declaration to the Directors of 360 Capital FM Limited as Responsible Entity for 360 Capital Investment Trust

As lead auditor for the review of the half-year financial report of 360 Capital Investment Trust 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 Investment Trust and the entities it controlled during the financial period.



Ernst & Young



Mark Conroy
Partner
27 February 2019

360 Capital Investment Trust

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2018

| | | 31 December 2018 \$'000 | 31 December 2017 \$'000 |
|--|------|-------------------------------|-------------------------------|
| | Note | | |
| Revenue from continuing operations | | | |
| Rental from investment properties | | 3,969 | 2,263 |
| Distributions from property funds | | 1,737 | 2,199 |
| Finance revenue | | 549 | 187 |
| Total revenue from continuing operations | | 6,255 | 4,649 |
| Other income | | | |
| Gain on bargain purchase | 12 | - | 2,866 |
| Net gain on disposal of financial assets | | - | 3,601 |
| Net gain on fair value of investment properties | 6 | - | 30,000 |
| Share of equity accounted profits | 8 | 700 | 153 |
| Net gain on fair value of derivative financial instruments | | - | 68 |
| Total other income | | 700 | 36,688 |
| Total revenue from continuing operations and other income | | 6,955 | 41,337 |
| | | | |
| Administration expenses | | 509 | 1,316 |
| Finance expenses | | 958 | 328 |
| Transaction costs | | 103 | 1,171 |
| Net loss on fair value of financial assets | | 1,409 | - |
| Net loss on disposal of controlled entity | | 1,095 | - |
| Profit for the half year | | 2,881 | 38,522 |
| Other comprehensive income for the half year | | - | - |
| Total comprehensive income for the half year | | 2,881 | 38,522 |
| | | | |
| Total comprehensive income attributable to: | | | |
| Profit attributable to unitholders | | 1,699 | 28,338 |
| Profit attributable to external non-controlling interests | | 1,182 | 10,184 |
| Profit for the half year | | 2,881 | 38,522 |
| | | | |
| Earnings per unit for profit attributable to unitholders of the consolidated entity | | | |
| | | Cents | Cents |
| Basic earnings per unit | 5 | 0.8 | 13.7 |
| Diluted earnings per unit | 5 | 0.7 | 12.6 |

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

360 Capital Investment Trust
Consolidated interim statement of financial position
As at 31 December 2018

| | | 31 December 2018 \$'000 | 30 June 2018¹ \$'000 |
|---|-------------|--|--|
| | Note | | |
| Current assets | | | |
| Cash and cash equivalents | | 128,225 | 4,821 |
| Receivables | | 1,144 | 675 |
| Assets held for sale | 6 | - | 261,000 |
| Financial assets | | 42,651 | 44,060 |
| Due from related entities | | - | 361 |
| Other current assets | | 81 | - |
| Total current assets | | 172,101 | 310,917 |
| Non-current assets | | | |
| Investments equity accounted | 8 | 16,482 | 15,333 |
| Total non-current assets | | 16,482 | 15,333 |
| Total assets | | 188,583 | 326,250 |
| Current liabilities | | | |
| Trade and other payables | | 82 | 3,373 |
| Borrowings | 9 | - | 29,000 |
| Derivative financial instruments | | - | 90 |
| Due to related entities | | 10,285 | 36,406 |
| Distribution payable | | 2,309 | 5,510 |
| Total current liabilities | | 12,676 | 74,379 |
| Total liabilities | | 12,676 | 74,379 |
| Net assets | | 175,907 | 251,871 |
| Equity | | | |
| Issued capital - trust units ¹ | 10 | 192,456 | 189,863 |
| Accumulated losses ¹ | | (16,549) | (13,640) |
| Total equity attributable to unitholders | | 175,907 | 176,223 |
| External non-controlling interest | | - | 75,648 |
| Total equity | | 175,907 | 251,871 |

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 Investment Trust

Consolidated interim statement of changes in equity

For the half year ended 31 December 2018

| | Note | Issued capital \$'000 | Retained earnings/ (Accumulated losses) \$'000 | Total equity attributable to unitholders \$'000 | External non- controlling interest \$'000 | Total equity \$'000 |
|---|------|--------------------------|--|--|--|------------------------|
| Balance at 1 July 2018 | | 142,149 | 34,074 | 176,223 | 75,648 | 251,871 |
| Restatement of opening balances | 1(d) | 47,714 | (47,714) | - | - | - |
| Adjusted balance at 1 July 2018 | | 189,863 | (13,640) | 176,223 | 75,648 | 251,871 |
| Total comprehensive income for the year | | - | 1,699 | 1,699 | 1,182 | 2,881 |
| Transactions with non-controlling interest | | - | - | - | (75,326) | (75,326) |
| Transactions with Unitholders in their capacity as Unitholders | | | | | | |
| Issued units - DRP | | 1,950 | - | 1,950 | - | 1,950 |
| Issued units - ESP | | 656 | - | 656 | - | 656 |
| Equity raising transaction costs | | (13) | - | (13) | - | (13) |
| Distributions | 3 | - | (4,608) | (4,608) | (1,504) | (6,112) |
| | | 2,593 | (4,608) | (2,015) | (1,504) | (3,519) |
| Balance at 31 December 2018 | | 192,456 | (16,549) | 175,907 | - | 175,907 |
| Balance at 1 July 2017 | | | | | | |
| Balance at 1 July 2017 | | 140,392 | (18,684) | 121,708 | - | 121,708 |
| Total comprehensive income for the half year | | - | 28,338 | 28,338 | 10,184 | 38,522 |
| Non controlling interest arising on business combination | | - | - | - | 73,823 | 73,823 |
| Transactions with Unitholders in their capacity as Unitholders | | | | | | |
| Issued units - ESP | | 70 | - | 70 | - | 70 |
| Equity raising transaction costs | | (39) | - | (39) | - | (39) |
| Distributions | 3 | - | (3,398) | (3,398) | (1,880) | (5,277) |
| | | 31 | (3,398) | (3,367) | (1,880) | (5,246) |
| Balance at 31 December 2017 | | 140,423 | 6,257 | 146,680 | 82,127 | 228,807 |

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

360 Capital Investment Trust
Consolidated interim statement of cash flows
For the half year ended 31 December 2018

| | | 31 December | 31 December |
|---|-------------|--------------------|--------------------|
| | | 2018 | 2017 |
| | Note | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Cash receipts from customers (inclusive of GST) | | 3,077 | 1,268 |
| Cash payments to suppliers (inclusive of GST) | | (1,650) | (3,356) |
| Dividends and distributions received | | 3,710 | 4,035 |
| Finance revenue | | 315 | 187 |
| Finance expenses | | (958) | (142) |
| Net cash inflows from operating activities | | 4,494 | 1,992 |
| Cash flows from investing activities | | | |
| Payments for equity accounted investments | | (1,030) | - |
| Proceeds from disposal of financial assets | | - | 8,393 |
| Payments for controlled entities | | - | (105,315) |
| Payment of transaction costs | | (103) | (1,171) |
| Proceeds from disposal of controlled entities | | 155,500 | - |
| Net cash inflows/(outflows) from investing activities | | 154,367 | (98,093) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 4,000 |
| Proceeds from loans from related parties | | - | 72,595 |
| Loan repayments to related parties | | (25,793) | - |
| Payment of transaction costs to issue capital | | (13) | (39) |
| Distributions paid to unitholders | | (4,548) | (5,182) |
| Distributions paid to external non-controlling interests | | (940) | - |
| Net cash (outflows)/ inflows from financing activities | | (31,294) | 71,374 |
| Net increase/(decrease) in cash and cash equivalents | | 127,567 | (24,727) |
| Cash balance on (deconsolidation)/ consolidation of controlled entities | | (4,163) | 4,532 |
| Cash and cash equivalents at the beginning of the half year | | 4,821 | 27,043 |
| Cash and cash equivalents at the end of the half year | | 128,225 | 6,848 |

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

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

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 Investment Trust comprises the consolidated financial statements of 360 Capital Investment Trust and its controlled entities. The consolidated entity forms part of the stapled entity, 360 Capital Group (Stapled Group) (ASX code: TGP) comprising 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities.

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 Investment Trust 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 consolidated entity 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 Investment Trust and its controlled entities are for-profit entities for the purpose of preparing the interim financial report.

The financial report has been prepared on 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.

The consolidated entity 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.

c) Changes in accounting policies and disclosures

The consolidated entity 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 consolidated entity 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 consolidated entity. The consolidated entity 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 consolidated entity 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 consolidated entity 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 at amortised cost 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 consolidated entity'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 consolidated entity 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 consolidated entity 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 consolidated entity has adopted AASB 15 using the modified retrospective method and this has not had a material impact on the consolidated entity.

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

d) Restatement of equity balances

It has been identified that during the prior period the allocation of equity between Issued Capital and Retained earnings 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 consolidated entity's net tangible assets or net profit as a result of this misstatement. The transaction and resulting adjustment is detailed below:

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.

This misstatement has 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 |
|---|------------------------------------|
| Issued Capital - Trust units | 47,714 |
| Retained earnings - Trust | (47,714) |
| Net Impact on equity | - |

Note 2: Segment reporting

Segment information is presented in respect of the consolidated entity'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 segment is based on the consolidated entity's management and internal reporting structure is:

- Investment - real estate debt and equity investment in real estate including co-investment in managed funds, providing income through distributions and finance revenue and potential capital growth in equity values

The consolidated entity's management strategy and measures of performance focus on the returns from this core segment 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 of the consolidated entity.

The information provided is net of specific non-cash items including fair value adjustments, straight-lining of lease revenues and incentives and impairment adjustments. Significant one-off items are also excluded.

Consolidation and eliminations

Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from the entities deemed to be controlled under AASB 10, being entities with 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 consolidated entity'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.

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

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:

| Half year ended 31 December 2018 | Investment \$'000 | Total core \$'000 | Consolidation & eliminations \$'000 | Total \$'000 |
|---|------------------------------|------------------------------|--|-------------------------|
| Net property income | - | - | 3,969 | 3,969 |
| Investment revenue | 4,263 | 4,263 | (1,548) | 2,715 |
| Finance revenue | 549 | 549 | - | 549 |
| Total revenue and other income | 4,812 | 4,812 | 2,421 | 7,233 |
| Operating expenses | 508 | 508 | - | 508 |
| Earnings before interest and tax (EBIT) | 4,304 | 4,304 | 2,421 | 6,725 |
| Interest expense | 606 | 606 | 352 | 958 |
| Operating profit (before specific non-cash and significant items) | 3,698 | 3,698 | 2,069 | 5,767 |
| <hr/> | | | | |
| Weighted average number of units - basic ('000) | | 212,230 | | |
| Operating profit per unit (before specific non-cash and significant items) (EPS) - cents | | 1.7 | | |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

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 | Total core | Consolidation & eliminations | Total |
|---|-------------------|-------------------|---|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Net property income | - | - | 2,263 | 2,263 |
| Investment revenue | 6,772 | 6,772 | (3,870) | 2,902 |
| Finance revenue | 180 | 180 | 7 | 187 |
| Total revenue and other income | 6,952 | 6,952 | (1,600) | 5,352 |
| Operating expenses | 393 | 393 | 923 | 1,316 |
| Earnings before interest and tax (EBIT) | 6,559 | 6,559 | (2,523) | 4,036 |
| Interest expense | 142 | 142 | 186 | 328 |
| Operating profit (before specific non-cash and significant items) | 6,417 | 6,417 | (2,709) | 3,708 |
| <hr/> | | | | |
| Weighted average number of units - basic ('000) | | 207,584 | | |
| Operating profit per unit (before specific non-cash and significant items) (EPS) - cents | | 3.1 | | |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 2: Segment reporting (continued)

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

| | Total core | Total core | Total | Total |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2018 | 2017 | 2018 | 2017 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit after tax attributable to unitholders | 1,699 | 28,338 | | |
| Profit for the year | | | 2,881 | 38,522 |
| Specific non-cash items | | | | |
| Gain on bargain purchase | - | - | - | (2,866) |
| Net loss/(gain) on fair value of financial assets | 1,409 | (23,545) | 1,409 | - |
| Net gain on fair value of derivative financial instruments | - | - | - | (68) |
| Net gain on fair value of investment properties | - | - | - | (30,000) |
| Net loss/(gain) on disposal of financial assets | 162 | (21) | - | (3,601) |
| Share of equity accounted profits, net of distributions received | 279 | 550 | 279 | 550 |
| Significant items | | | | |
| Net loss on disposal of controlled entity | - | - | 1,095 | - |
| Transaction costs | 149 | 1,095 | 103 | 1,171 |
| Operating profit (before specific non-cash items and significant items) | 3,698 | 6,417 | 5,767 | 3,708 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 2: Segment reporting (continued)

| | Investment | Total core | Consolidation & eliminations | Total |
|---------------------------------------|----------------|----------------|------------------------------|----------------|
| As at 31 December 2018 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Cash and cash equivalents | 128,225 | 128,225 | - | 128,225 |
| Financial and equity accounted assets | 59,133 | 59,133 | - | 59,133 |
| Other assets | 1,225 | 1,225 | - | 1,225 |
| Total assets | 188,583 | 188,583 | - | 188,583 |
| Liabilities | | | | |
| Other liabilities | 12,675 | 12,675 | - | 12,675 |
| Total liabilities | 12,675 | 12,675 | - | 12,675 |
| Net assets | 175,908 | 175,908 | - | 175,908 |

| | Investment | Total core | Consolidation & eliminations | Total |
|---|----------------|----------------|------------------------------|----------------|
| As at 31 December 2017 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Cash and cash equivalents | 772 | 772 | 6,076 | 6,848 |
| Assets held for sale | - | - | 280,000 | 280,000 |
| Financial assets at fair value through the profit or loss | 239,497 | 239,497 | (169,100) | 70,397 |
| Other assets | 4,673 | 4,673 | (3,260) | 1,413 |
| Total assets | 244,942 | 244,942 | 113,716 | 358,658 |
| Liabilities | | | | |
| Borrowings | - | - | 29,000 | 29,000 |
| Other liabilities | 98,262 | 98,262 | 2,589 | 100,851 |
| Total liabilities | 98,262 | 98,262 | 31,589 | 129,851 |
| Net assets | 146,680 | 146,680 | 82,127 | 228,807 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 3: Distributions

Distributions declared by 360 Capital Investment Trust directly to unitholders 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 stapled security paid on 29 October 2018 | 2,299 | - |
| 1.0 cents per stapled security 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 | 328 |
| | 958 | 328 |

Note 5: Earnings per unit

| | 31 December 2018 ¢ | 31 December 2017 ¢ |
|---------------------------|-----------------------------------|-----------------------------------|
| Basic earnings per unit | 0.8 | 13.7 |
| Diluted earnings per unit | 0.7 | 12.6 |

| | \$'000 | \$'000 |
|---|---------------|---------------|
| Basic and diluted earnings | | |
| Profit attributable to unitholders of the consolidated entity used in calculating earnings per unit | 1,699 | 28,338 |

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

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 10.

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 6: 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 |

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

| | 31 December 2018 \$'000 | 30 June 2018 \$'000 |
|---|--|------------------------------------|
| | Note | |
| Opening Balance 1 July | 261,000 | - |
| Investment properties acquired through business combination | - | 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 consolidated entity's disposal of its investment in AJD on 12 October 2018, the results of AJD have been deconsolidated from the Trust's financial results. For more information on the deconsolidation 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.

Note 7: 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 consolidated entity holds investments in the following managed investment schemes:

| | 31 December 2018 % | 30 June 2018 % | 31 December 2018 \$'000 | 30 June 2018 \$'000 |
|--|-----------------------------------|-------------------------------|--|------------------------------------|
| Current | | | | |
| <u>Unlisted investments subject to put and call option</u> | | | | |
| 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 |
| <u>Unlisted funds managed externally</u> | | | | |
| Centuria Retail Fund | 16.4 | 16.4 | 2,817 | 4,226 |
| Total current | | | 42,651 | 44,060 |
| Total | | | 42,651 | 44,060 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 7: Financial assets at fair value through the profit or loss (continued)

Subsequent to balance date, the call option over the consolidated entity's investment in Centuria Retail Fund was exercised and the investment was subsequently disposed on 9 January 2019 for \$19.6 million. The Trust 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.

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

| | 31 December 2018 \$'000 | 30 June 2018 \$'000 |
|---|--|------------------------------------|
| Balance at 1 July | 44,060 | 103,302 |
| Financial assets consolidated into financial statements | - | (40,242) |
| Financial assets disposed - unlisted | - | (18,394) |
| Realised gain on disposal of financial assets | - | (254) |
| Fair value adjustment of financial assets | (1,409) | (352) |
| Closing balance | 42,651 | 44,060 |

Note 8: Investments accounted for using the equity method

| | 31 December 2018 % | 30 June 2018 % | 31 December 2018 \$'000 | 30 June 2018 \$'000 |
|---------------------------------------|-----------------------------------|-------------------------------|--|------------------------------------|
| Co-investment interest | | | | |
| 360 Capital Total Return Passive Fund | 25.2 | 23.7 | 16,482 | 15,333 |

Co-investment interest

The Group holds a 25.2% interest in the stapled entity 360 Capital Total Return Fund (ASX: TOT), with the beneficial interest of 360 Capital Total Return Passive Fund units held by 360 Capital Diversified Property Fund and the beneficial interest of 360 Capital Total Return Active Fund units held by 360 Capital Property Limited.

Subsequent to balance date, the Group participated in TOT's DRP as a sub-underwriter, increasing the Group's ownership interest to 26.0%.

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 Passive Fund | | |
| Opening balance – 1 July | 15,333 | 16,259 |
| Acquisition of interest | 1,427 | - |
| Equity accounted profit for the year | 700 | 480 |
| Distributions | (978) | (1,406) |
| Closing Balance | 16,482 | 15,333 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 9: Borrowings

| | 31 December 2018 \$'000 | 30 June 2018 \$'000 |
|--|--|------------------------------------|
| Current | | |
| Borrowings - secured | - | 29,000 |
| | - | 29,000 |
| Borrowings - secured | | |
| Total facility limit | - | 29,000 |
| Used at end of reporting date | - | (29,000) |
| Unused at end of reporting date | - | - |
| Borrowings - unsecured | | |
| Total Bank Guarantee facility limit | 5,000 | 5,000 |
| Used at end of reporting date | - | - |
| Unused at end of reporting date | 5,000 | 5,000 |

Bankwest facility – (Asia Pacific Data Centre Group)

In the prior period, the Trust acquired a controlling interest in Asia Pacific Data Centre Group and as a result AJD was consolidated into the results of the Trust, therefore AJD's secured borrowings were included as a loan held by the Trust at 30 June 2018. On 12 October 2018, the Trust 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 13.

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 10: Equity

(a) Issued capital

| | 31 December 2018 000's | 30 June 2018 000's |
|---|---------------------------------------|-----------------------------------|
| 360 Capital Investment Trust - Ordinary units issued | 213,651 | 210,028 |
| | \$'000 | \$'000 |
| 360 Capital Investment Trust - Ordinary units issued ¹ | 192,456 | 189,863 |

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

| | 000's | '000 |
|---|----------------|----------------|
| Opening balance at 1 July | 210,028 | 207,203 |
| ESP securities with non-recourse loans repaid during the year | 1,278 | 1,400 |
| Securities issued under the Distribution Reinvestment Plan | 2,345 | 1,425 |
| Closing balance | 213,651 | 210,028 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 10: Equity (continued)

| | 31 December 2018 \$'000 | 30 June 2018 \$'000 |
|---|--|------------------------------------|
| Opening balance | 189,863 | 140,392 |
| Capital Reallocation implemented on 31 January 2018 | - | 47,714 |
| Employee security plan – non-recourse loan repaid during the period | 656 | 583 |
| Securities issued under the Distribution Reinvestment Plan | 1,950 | 1,233 |
| Transaction costs incurred in issuing capital | (13) | (59) |
| Closing balance | 192,456 | 189,863 |

Under Australian Accounting Standards securities issued under the 360 Capital Group 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 2018 000's | 30 June 2018 000's |
|--|---------------------------------------|-----------------------------------|
| Total ordinary securities balance at 1 July | 213,651 | 210,028 |
| Issued capital – balance of 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.

(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 \$1.2 million relating to the June 2018 quarterly distribution and in October 2018 issued 976,746 and raised a further \$0.8 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.

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 10: Equity (continued)

(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 11: Other financial assets and liabilities

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments 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 financial liabilities | - | 29,090 | - | 29,090 |

The fair value of receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values quoted in the above table in relation to borrowings 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 consolidated entity 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.

As at 31 December 2018, the consolidated entity 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 2018: | | | | |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 42,651 | 39,834 | - | 2,817 |
| Financial liabilities | | | | |
| Derivative financial instruments | - | - | - | - |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 11: Other financial assets and liabilities (continued)

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 consolidated entity 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 7). The consolidated entity 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 consolidated entity 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 12: Business combinations and acquisition of non-controlling interests

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

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 12: Business combinations and acquisition of non-controlling interests (continued)

Acquisition of Asia Pacific Data Centre Group (AJD)

Summary of acquisition

On 13 September 2017, 360 Capital Group proposed 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 APDC Trust for the 2 month period from Acquisition date.

In November 2017, the Trust transferred its beneficial interest in APDC Holdings to 360 Capital Property Limited, a wholly owned subsidiary of 360 Capital Group Limited. As a result, the results of the APDC Trust are consolidated into the consolidated entity's financial results from 6 November 2017.

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

| | \$'000 |
|---|----------------|
| Cash paid | 62,392 |
| Financial assets at fair value through profit or loss | 86,745 |
| Total purchase consideration | 149,137 |

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

| | \$'000 |
|--|----------------|
| Assets | |
| Cash and cash equivalents | 4,532 |
| Receivables and other current assets | 545 |
| Investment properties | 250,000 |
| Non-current assets | - |
| Liabilities | |
| Trade and other payables | (3,889) |
| Borrowings | (25,000) |
| Derivative financial instruments | (363) |
| Net identifiable assets acquired including external non-controlling interest | 225,825 |
| Less: Non-controlling interests | (73,822) |
| Net identifiable assets acquired excluding external non-controlling interest | 152,003 |
| Less: Gain on bargain purchase | (2,866) |
| Total purchase consideration | 149,137 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 12: 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 APDC Trust of \$2.9 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 consolidated entity 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 the APDC Trust 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 APDC Trust prior to the Acquisition date. These amounts have been calculated using the consolidated entity'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 | 62,392 |
| Less: Cash and cash equivalents acquired | (4,532) |
| Outflow of cash to acquire controlled entity | 57,860 |
| Add: Business combination transaction costs expensed through profit or loss | 1,171 |
| Total cash outflow to acquire controlled entity | 59,031 |

Acquisition related costs

Acquisition related costs of \$1.2 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 include legal and advisory fees.

Gain on fair value of financial assets

Prior to gaining control of APDC Trust on 6 November 2017, the consolidated entity had accumulated an ownership interest of 39.32% and had recognised this investment as a financial asset at fair value through profit or loss. Upon gaining control of APDC Trust, this investment was treated as if it was disposed of at fair value on Acquisition date and the resulting loss 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 | 42,923 |
| | 83,165 |
| Disposal of financial assets (at Acquisition date fair value) | 86,745 |
| Gain on fair value of financial assets | 3,580 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 13: Divestment transaction

Summary of divestment transaction

On 8 October 2018 NEXTDC Limited (ASX: NXT) 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 Asia Pacific Data Centre Group (AJD) via the takeover offer by NEXTDC for a total consideration of \$154.8 million.

Prior to the disposal, the consolidated entity held a 67.3% stake in Asia Pacific Data Centre Trust (APDC Trust) and as a consequence of the disposal, APDC Trust has been deconsolidated from the results of the Group from 12 October 2018.

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

| | \$'000 |
|-------------------------------------|----------------|
| Cash received | 153,999 |
| Total disposal consideration | 153,999 |

Net assets divested:

| | \$'000 |
|--|----------------|
| Assets | |
| Cash and cash equivalents | 4,163 |
| Receivables and other current assets | 361 |
| Investment properties | 261,000 |
| Liabilities | |
| Trade and other payables | 6,014 |
| Borrowings | 29,000 |
| Derivative financial instruments | 90 |
| Carrying value of assets divested | 230,420 |
| Less: Non-controlling interests | (75,326) |
| Carrying value of assets divested excluding non-controlling interest | 155,094 |
| Net loss on disposal recognised during the period | (1,095) |

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.

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 13: 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 98.02%. 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 consolidated entity's results is set out below:

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

The Trust has included rental income and interest expense of AJD in its results as the Group believes these items can be reliably estimated. The Trust'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 Trust's profit and loss statement. The net profit attributed to the securityholders of the Trust 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 | 153,999 |
| Less: Cash and cash equivalents deconsolidated | (4,163) |
| Inflow of cash upon disposal of subsidiary | 149,836 |
| Add: Business combination transaction costs expensed through profit or loss | - |
| Total cash inflow upon disposal | 149,836 |

360 Capital Investment Trust
Condensed notes to the interim financial report
For the half year ended 31 December 2018

Note 14: Related party transactions

Responsible Entity

The Responsible Entity of the Trust is 360 Capital FM Limited. The immediate parent entity of the Responsible Entity is 360 Capital Property Limited (ABN 46 146 484 433), and its ultimate parent entity is 360 Capital Group Limited (ABN 18 113 569 136).

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 consolidated entity's annual financial report as at 30 June 2018.

Related Party Loan

At reporting date, the consolidated entity has a loan to the 360 Capital Group Limited of \$10.3 million. Interest is charged on the loan at market rates where applicable.

The following significant transactions occurred with related parties during the prior period:

Transfer of shares in APDC Holdings Limited

In November 2017, the consolidated entity transferred at market value its beneficial interest in APDC Holdings to 360 Capital Property Limited, a wholly owned subsidiary of 360 Capital Group Limited, therefore only the results of the APDC Trust are consolidated into the consolidated entity's financial statements from 6 November 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.

Related Party Loan

At reporting date, the consolidated entity has a loan to the 360 Capital Group Limited of \$96.2 million. Interest is charged on the loan at market rates where applicable.

Note 15: Events subsequent to balance date

On 9 January 2019, Centuria exercised its call option over the Trust's units held in the Centuria Retail Fund for \$19.6 million which was equal to the carrying value at 31 December 2018. The Trust 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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

In the opinion of the Directors of 360 Capital FM Limited, the Responsible Entity:

- 1) The consolidated financial statements and notes that are set out on pages 6 to 28 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 Fund 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

Independent Auditor's Review Report to the unitholders of 360 Capital Investment Trust

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of 360 Capital Investment Trust and its controlled entities (the "consolidated entity"), 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 declaration of directors of 360 Capital FM Limited, the Responsible Entity of the consolidated entity.

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 360 Capital Investment Trust 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 Responsible Entity 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



Mark Conroy
Partner
Sydney
27 February 2019