360 Capital

ASX Release

REAL ASSETS
PRIVATE EQUITY
PUBLIC EQUITY
CREDIT

360 Capital Group (ASX: TGP) **21 August 2019**

Appendix 4E

For the year ended 30 June 2019

360 Capital Group comprises the stapling of 360 Capital Group Limited (ABN 18 113 569 136) and 360 Capital FM Limited (ABN 15 090 664 396 AFSL 221474) as Responsible Entity for 360 Capital Investment Trust (ARSN 104 552 598).

This Preliminary Financial Report is given to the ASX in accordance with Listing Rule 4.3A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2019. It is also recommended that the Annual Report be considered together with any public announcements made by the Group. Reference should also be made to the statement of significant accounting policies as outlined in the Financial Report. The Annual Report for the year ended 30 June 2019 is attached and forms part of this Appendix 4E.

Details of reporting period

Current reporting period: 1 July 2018 – 30 June 2019

Prior corresponding period: 1 July 2017 – 30 June 2018

Results announcement to the market

	30 Jun 2019 $'000	30 Jun 2018 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	11,019	32,994	(21,975)	(66.6)
Profit attributable to stapled securityholders for the year	1,594	16,181	(14,587)	(90.1)
Operating profit [1]	4,827	10,690	(5,863)	(54.8)

[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 considers operating profit to reflect the core earnings of the Group. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Fund's statutory profit to operating earnings is provided in Note 1 of the Financial Report.

	30 Jun 2019 Cents per security	30 Jun 2018 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic	0.7	7.8	(7.1)	(91.0)
Earnings per security – Diluted	0.7	7.2	(6.5)	(90.3)
Operating profit per security	2.3	5.0	(2.7)	(54.0)

Distributions

	Cents per Security	Total paid $'000	Date of payment
September quarter distribution	1.0	2,299	29 October 2018
December quarter distribution	1.0	2,309	24 January 2019
Total distribution for the year ended 30 June 2019	**2.0**	**4,608**	
September quarter distribution	0.75	1,695	26 October 2017
December quarter distribution	0.75	1,703	30 January 2018
March quarter distribution	2.00	4,542	27 April 2018
June quarter distribution	2.00	4,570	27 July 2018
Total distribution for the year ended 30 June 2018	**5.50**	**12,510**	

Dividends

	Cents per Security	Total paid $'000	Date of payment
Fully franked special dividend	3.0	6,926	10 April 2019
Total dividend for the year ended 30 June 2019	**3.0**	**6,926**	
Fully franked special dividend	21.0	47,714	31 January 2018
Total dividend for the year ended 30 June 2018	**21.0**	**47,714**	

Distribution reinvestment plan

During the year the Group's Distribution Reinvestment Plan (DRP) was active for the September 2018 quarter. Refer to Note 17 of the Financial Report for more details.

ASX Release

Net tangible asset per security

	30 Jun 2019 $	30 Jun 2018 $
NTA per security [2]	0.93	0.97

[2] The number of securities on issue on the Australian Stock Exchange (ASX) at 30 June 2019 is 230.9 million (June 2018: 228.5 million). For calculation of NTA diluted per security, the securities on issue per the ASX are used and Net Tangible Assets are adjusted for the value of the ESP loans receivable. For financial reporting the number of securities is reduced to 218.4 million (June 2018: 210.0 million). The difference represents securities issued under the 360 Capital Group Employee Security Plan (ESP), which under *AASB2: Share-based payments*, are not recognised for accounting purposes and the corresponding ESP loan receivable is also not recognised as an asset. NTA per security basic (excluding ESP securities and ESP loans receivable) as at 30 June 2019 is $0.93 per security (June 2018: $0.98 per security).

Control Gained or Lost over Entities during the year

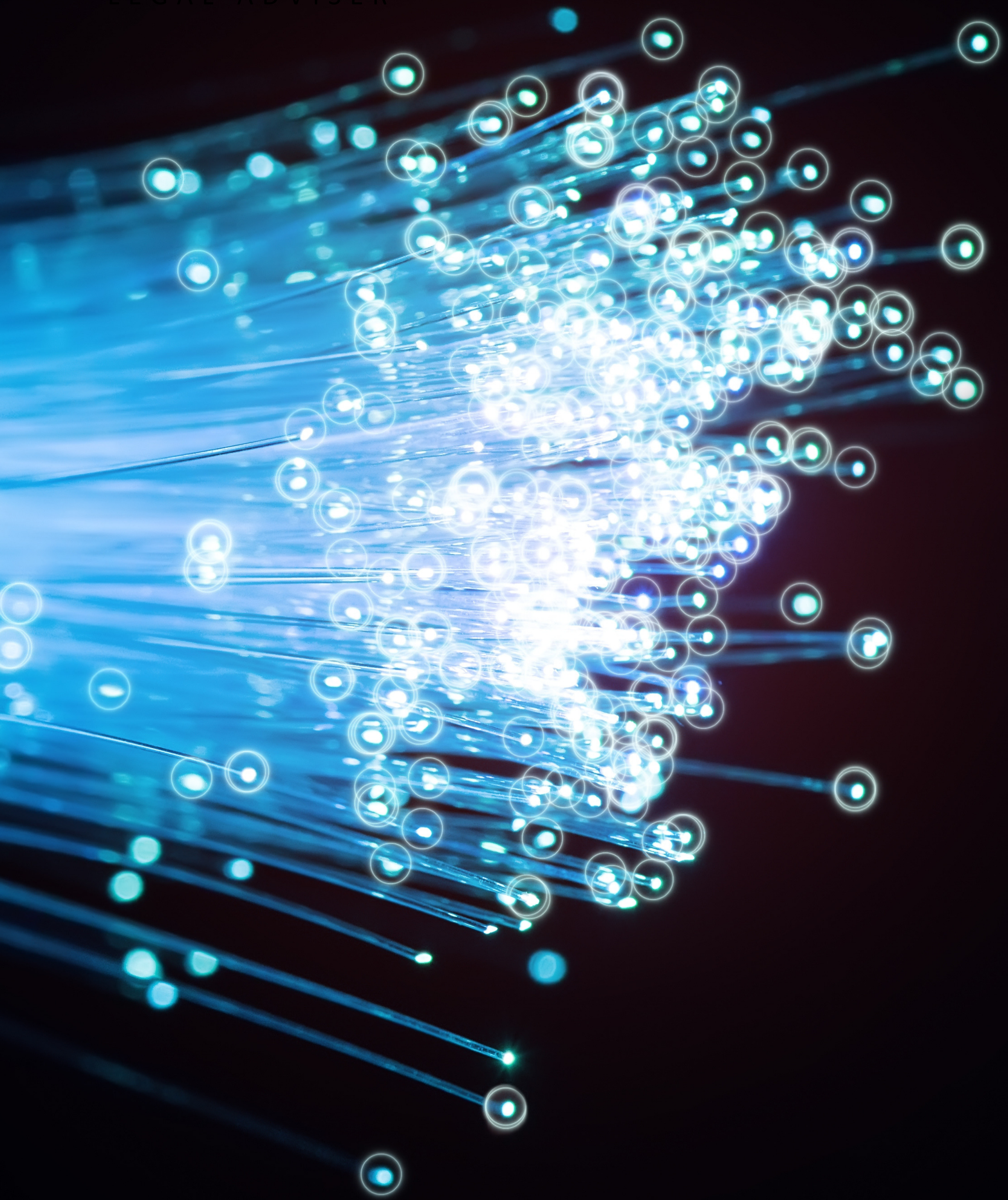
During the year the Group deconsolidated the Asia Pacific Data Centre Group following the disposal of its 67.3% interest in the Fund, refer to Note 23 Divestment of subsidiary of the Financial Report.

Details of Associates and Joint Venture Entities

Refer to Note 11 Investments Equity Accounted of the Financial Report.

360 Capital

L E G A L   A D V I S E R



360 CAPITAL GROUP

Annual Report

FOR THE YEAR ENDED 30 JUNE 2019

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

Annual Report
For the year ended 30 June 2019

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.

Contents **Page**

The Directors of 360 Capital Group Limited (Company) along with the Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity present their report, together with the annual financial report of 360 Capital Group (Group) (ASX: TGP) for the year ended 30 June 2019. 360 Capital Group comprises 360 Capital Group Limited (Parent Entity) and its controlled entities and 360 Capital Investment Trust (Trust) and its controlled entities.

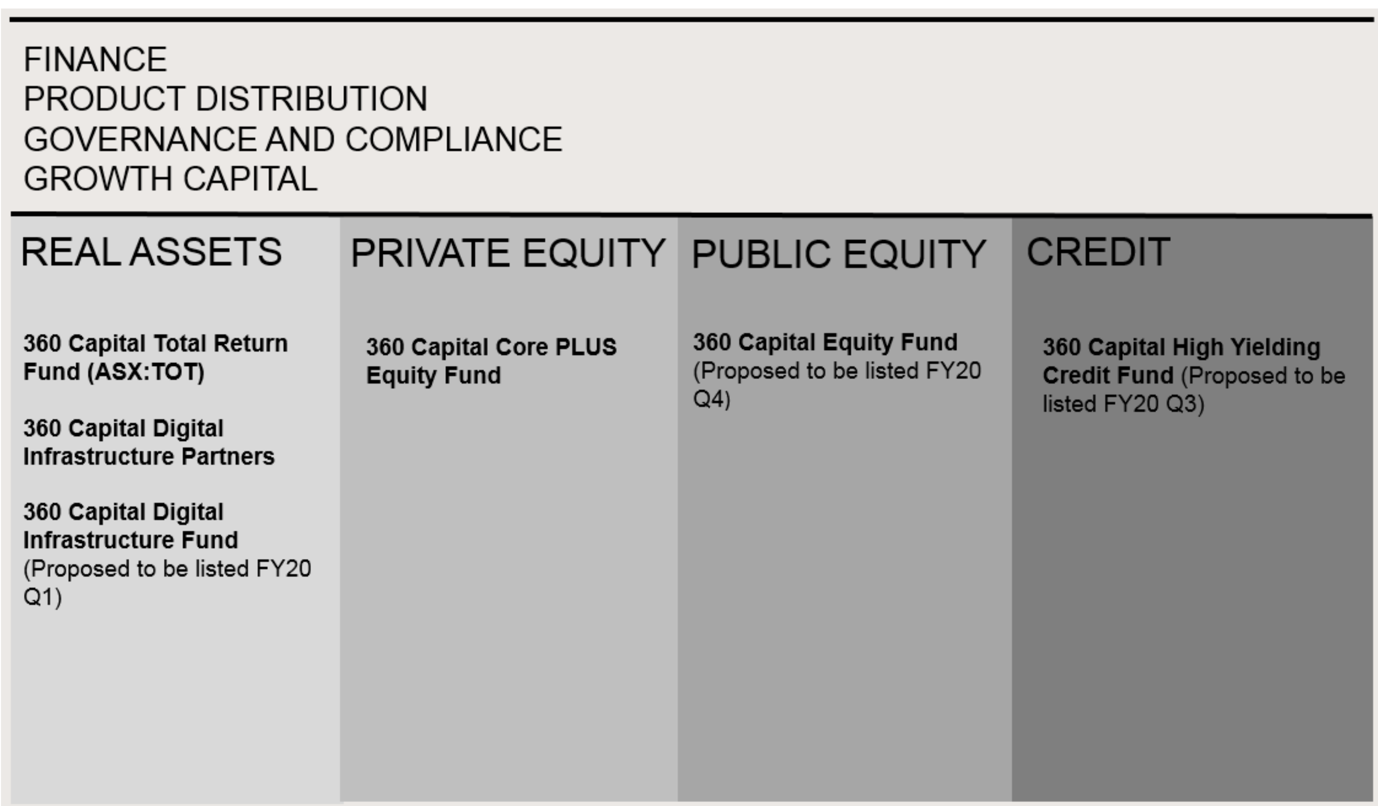
Directors

The following persons were Directors of 360 Capital Group Limited during the 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 was a diversified real estate investment and funds management business and during the year expanded its activities to become a listed investor and manager of alternative assets.



Operating and financial review

Key financial highlights for the year ended 30 June 2019	
Statutory net profit $1.6m (2018: $16.2 million)	Statutory net profit attributable to securityholders lower than prior year reflecting significant unrealised gains on AJD assets during the prior year
Operating profit $4.8m (2018: $10.7 million)	Operating profit[1] decrease primarily due to the divestment of unlisted investments and the disposal of AJD during the year and the holding of significant cash balances
Distributions per security 5.0 cps (2018: 5.5 cps)	Distributions of 5.0 cps reduced from 5.5 cps (including a fully franked special dividend of 3.0 cps)
Net tangible assets $0.93 per security (2018: $0.97 cps)	Net tangible assets (NTA)[2] decreased by 4.0 cps during the year contributed to by the write down of the residual unlisted units in Centuria Retail Fund of $2.0m and payment of special dividend of 3.0 cps
ASX closing price $1.03 per security (2018: $1.015)	The Group continues to trade at a premium to its NTA as it implements its expanded strategy, combined with distributions reflects a total shareholder return of 6.6% for the year

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

2 Net Tangible Asset value diluted per security calculation uses Net Tangible Assets adjusted for the value of the ESP loans receivable (not recognised for accounting purposes) divided by total securities on issue, including ESP securities refer Note 1: Segment reporting. NTA per security basic (excluding ESP securities and ESP loans receivable) as at 30 June 2019 is $0.93 per security (2018: $0.98 per security).

Operating and financial review (continued)

Key operational achievements for the year ended 30 June 2019

Disposed unlisted investments $39.8m Centuria options	Settled $39.8 million of unlisted units under option with Centuria
Building active revenue streams through AMF 2% Establishment fee	Through its 50% ownership in AMF Finance, Group continues to benefit from active revenue streams in the form of establishment fees on loan transactions
AJD divestment $154.8m Realisation of strategic investment	Disposed of 67.3% of Asia Pacific Data Centre Group for $154.8 million
Significant cash balance >$177m Capital to fund future opportunities	The Group's cash balance increased to over $177 million, placing the Group in a strong position to take advantage of future opportunities

Group Overview

During the year, the Group disposed of its 67.3% investment in Asia Pacific Data Centre Group (AJD) for total consideration of $154.8 million and repaid its $20.0 million unsecured facility. Centuria Capital Group (Centuria) exercised its remaining $19.5 million in call option units relating to the Centuria Retail Fund in January 2019 and settled the remaining call option units in Centuria 111 St Georges Terrace Fund for $20.3 million in March 2019. These transactions significantly strengthened the Group's financial position.

Group key financial results highlights for the year ending 30 June 2019

- Statutory net profit of $1.6 million (2018: $16.2 million) with prior year including significant unrealised gains on AJD assets during the previous financial year
- Operating profit of $4.8 million (2018: $10.7 million) decline due to reduced investments and maintaining high cash balances during the year
- Statutory earnings per security (EPS) of 0.7cps (2018: 7.8 cps) and operating EPS of 2.3 cps (2018: 5.0 cps)
- Distributions per security (DPS) of 5.0 cps (including fully franked 3.0 cps special dividend)
- NTA per security of $0.93 (2018: $0.97), includes cash backing of $0.77 cps
- Strong balance sheet with $177.2 million in cash and no borrowings across the Group and its managed funds
- Increase in ASX trading price from $1.015 to $1.03, representing a total shareholder return of 6.6% for the year

Operating and financial review (continued)

Group key operational highlights for the year ending 30 June 2019

Since announcing the Group's expansion of its investment strategy into alternative assets, the Group has invested in people to allow for the organic growth of the business and to allow for rolling out the four investment strategies of:

1. Real Assets
2. Private Equity
3. Public Equity
4. Credit

The Group has started to build out these strategies as follows:

- Expanded its investment strategy into alternative asset classes gain faster growth of the Group's investment activities
- Entered into an equities joint venture management business with Dennison Hambling
- Entered into a Digital Infrastructure management joint venture with David Yuile who will heads our key Digital Infrastructure strategy
- 360 Capital Total Return Fund (TOT) had $56.6 million in loans repaid at an average IRR of 15.9% during the year and wrote $46.1 million in loans.

Post year end the Group has:

- Announced launch of and completed $50 million in pre-IPO capital raising for 360 Capital Digital Infrastructure Fund
- 360 Capital Digital Infrastructure Fund acquired two data centre interests
- Launching the IPO and further $65 million raising for 360 Capital Digital Infrastructure Fund
- Chris Chase appointed Head of Private Credit to further develop the Group's corporate credit strategy.

Real Assets

<u>Real Estate</u>
The Group continues to focus on expanding the capital base and relevance of the Group's flagship listed real estate offering, 360 Capital Total Return Fund (ASX: TOT). During the year, TOT continued to focus on deploying capital into real estate credit strategies, predominately secured first mortgage loan investments. As at 30 June 2019, TOT was well capitalised to take advantage of opportunities with $42.3 million in cash after the repayment of $56.6 million of loans during the year.

During the year, the Group increased its investment in TOT to 26.3% after investing a further $3.4 million via its distribution reinvestment plan. TOT continues to provide investors solid income returns from its financing activities with distributions of $0.12 per security during the year.

TOT has also invested $8.5 million in URB Investments at an average of $1.03 per share and is now its second largest shareholder. URB has a similar investment strategy to TOT. The Fund will continue to monitor this investment, but we will remain disciplined not to dilute TOT's capital base.

Real Assets (continued)

Digital Infrastructure Fund

In May 2019, the Group established a joint venture with David Yuile, a telecommunications industry executive and investor, to develop a global digital infrastructure funds management platform.

Since establishing the joint venture, 360 Capital Digital Infrastructure Partners has purchased and contracted approximately $60 million of digital assets in Australia and across Asia. An ASX-listed vehicle, providing public access to the partnership has received pre-IPO commitment of $50 million and is expected to list on ASX in October 2019. The Group has subscribed for $25.0 million as long-term co-investment capital.

Public and Private Equity

In February 2019, the Group announced that it had entered into a joint venture management company to organically grow an Australian equities business. The Group has announced that the Group's joint venture partner is Dennison Hambling.

Under the joint venture, upon the equities businesses reaching $300 million of FUM, the Group has an option to purchase Dennison's 50% interest for TGP securities with Dennison remaining Head of Public and Private Equity strategies for the Group.

Dennison was previously the Chief Investment Officer of First Samuel over the past 11 years where he was responsible for $660 million of assets. Dennison has been involved in numerous takeover, recapitalisations, M&A activities over his 20 year history in the financial services industry, as well as averaging 11.2% per annum compound returns at First Samuel.

Dennison will be responsible for the Group's Public and Private Equity strategies and is a member of the Group's executive Committee. The joint venture commenced operations in August and has secured a material mandate to provide investment management and consulting services to an Australian based financial services company.

The Group is establishing the 360 Capital Core Plus Equity Fund an unlisted wholesale fund investing focused on three primary strategies of:

1. corporate repair and recapitalisation
2. growth strategies
3. value investing

Credit Strategies

The Group has employed Chris Chase as Head of Private Credit for the Group. Chris is responsible for building out the Group's corporate credit investment strategy. Prior to joining 360 Capital, Chris was an Associate Director at Macquarie Group, Director, Corporate Origination at CBA and Director, Global Subsidiaries Group ANZ.

As part of the integrated group, this new platform allow our investors access to a broader secured corporate finance offering . The Group is in the early stage of investigating the establishment of 360 Capital High Yielding Credit Fund, which is targeted to provide loans to small and mid-cap corporate entities. We expect this strategy will provide flexibility for the various Group Funds to invest across the capital stack.

Capital Management

The Group remains well capitalised with $177.2 million in cash as at 30 June 2019 and no borrowings at the Group or in its managed funds. Given the economic uncertainty, the Group plans to maintain a high level of cash reserves for opportunities in the future, while also deploying some of its cash to sponsor the growth of its new investment strategies and funds management initiatives.

Post balance date, the Group committed approximately $50 million into the 360 Capital Digital Infrastructure Fund, $25 million of which was long term co-investment capital and the balance being repaid from the IPO proceeds.

The Group has committed $10 million into the 360 Capital Core Plus Equity Fund as long term co-investment to establish the Fund and the equities strategy. Furthermore, the Group has committed $10 million into the 360 Capital High Yielding Credit Fund as long term co-investment to establish the Fund and the credit strategy.

Summary and Outlook

The Group has expanded to become a listed investor and manager of alternative assets however, 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. Given the volatility in global and domestic markets the Group will continue to be cautious in deploying its capital however will be well paced to take advantage of opportunities that may arise.

Risks

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

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

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

Dividends and distributions

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

Distributions	30 June 2019 $'000	30 June 2018 $'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
2.00 cents per unit paid on 27 April 2018	-	4,542
2.00 cents per unit paid on 27 July 2018	-	4,570
1.00 cents per unit paid on 29 October 2018	2,299	-
1.00 cents per unit paid on 24 January 2019	2,309	-
	4,608	12,510

On 10 April 2019 the Company paid a fully franked dividend of 3.0 cps. In the prior year the Company paid a fully franked dividend of 21.01 cps on 31 January 2018 which was reinvested into the Trust as part of a capital reallocation.

Dividends	2018 $'000	2018 $'000
21.01 cents per share fully franked special dividend	-	47,714
3.00 cents per share fully franked special dividend	6,926	-
	6,926	47,714

Significant changes in state of affairs

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

Likely developments and expected results of operations

The Group will continue to focus on implementing its expanded strategy of managing and investing in alternative assets. The Group will build out its capabilities across the four pillars and is well placed to take advantage of opportunities that arise in the market.

Information on Directors and Key Management Personnel

Directors

David van Aanholt – Independent Chairman
David has over 30 years' experience in the property and funds management industry. Prior to establishing his own property group in 2007, David worked for the ASX listed Goodman Group where he was the Chief Executive Officer (Asia Pacific) and was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. Prior to working for Goodman David held senior roles Paladin Australia and CDH Properties (acquired by KPMG). David holds a Bachelor of Business (Land Economy), a Post Graduate Diploma in Management, a Masters in Business Administration and he is a Fellow of the Australian Property Institute.

David holds a Bachelor of Business (Land Economy) and a Post Graduate Diploma in Management and a Masters in Business Administration. He is non-executive Director and Chairman of Kennard's Self Storage Group and a Councillor at the University of New England where he sits on the Audit and Risk, Finance and Infrastructure, Innovation and Remuneration Committees. David is a Fellow of the Australian Property Institute.

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

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

William John Ballhausen – Non-Executive Independent Director
John is a financial services professional with over 35 years' experience. He is a founder of Quay Fund Services Limited providing trustee and responsible entity services to fund managers. He is also a non-executive director of Arctic Intelligence.

John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately $100 million in funds under management spread over four registered property schemes. Before 2002 John held the position of Chief Investment Officer of HIH Insurance, with responsibility for more than $3 billion of funds across fixed interest, equities and property asset classes.

John has a Bachelor of Commerce from the University of NSW, is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

Directors (continued)

Graham Ephraim Lenzner – Non-Executive Independent Director

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets.

Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the Board of a number of public and private companies.

Andrew Graeme Moffat – Non-Executive Independent Director

Andrew has in excess of 23 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Limited. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services.

Andrew is also a non-executive Director of Pacific Star Network Limited and a Director of ICP Funding Pty Ltd. His past public company directorships include Rubik Financial Limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.

Senior Management

Glenn Butterworth – Chief Financial Officer

Glenn is a key executive within the business and is responsible for all 360 Capital's financial management activities. Glenn has over 25 years' experience and joined 360 Capital from Mirvac Group where he spent 11 years, most recently as Financial Controller of the Mirvac's Investment Division where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience.

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

James Storey – Head of Real Assets (commenced role 1 September 2018)

James has over 12 years' experience in real estate funds management including such areas as asset management, capital transactions, analytics and valuations. Prior to his current role, James was the Fund Manager of the 360 Capital Office Fund (ASX: TOF) and 360 Capital Industrial Fund (ASX: TIX) with a combined gross asset of over A$1.1b. Prior to his tenure at 360 Capital, James held the role of Investment Manager at Brookfield Office Properties, Senior Analyst at Valad Property Group and worked for Ernst & Young within its Transaction Advisory Services team.

James has a Bachelor of Business (Property Economics) from the University of Western Sydney and a graduate certificate of applied finance and investment. He is also a licensed real estate agent.

Jennifer Vercoe – Company Secretary

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

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

Directors meetings

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

	Board		Audit Committee		Nominations & Remuneration		Independent Board Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Director								
David van Aanholt	9	9	-	-	-	-	-	-
Tony Robert Pitt	9	9	-	-	2	2	-	-
William John Ballhausen	8	9	4	4	-	-	1	1
Graham Ephraim Lenzner	9	9	4	4	2	2	1	1
Andrew Graeme Moffat	8	9	4	4	2	2	-	1

In December 2017 an Independent Board Committee was established to oversee matters relating to the Group's investment in AJD. The IBC ceased on 11 September 2018.

Remuneration report (audited)

The Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements of the 360 Capital Group in accordance with the requirements of the *Corporations Act 2001* and its regulations (the Act). This information has been audited as required by section 308(3C) of the Act.

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

The remuneration report is presented under the following sections:

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

Remuneration report (continued)

a. Introduction

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

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

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

<u>(iii) Other KMP</u>
Glenn Butterworth, Chief Financial Officer
James Storey, Head of Real Assets (commenced role from 1 September 2018)

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

b. Remuneration governance

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

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

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

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

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

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

Use of remuneration advisors

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. Remuneration advisors are engaged by, and report directly to, the Committee. In selecting remuneration advisors, the Committee considers potential conflicts of interest and requires independence from the Group's key management personnel and other executives as part of their terms of engagement. No remuneration recommendation was provided by any external advisors during the 2019 financial year.

Remuneration report approval at 2018 Annual General Meeting (AGM)

The remuneration report for the year ended 30 June 2018 received positive securityholder support at the AGM with a vote of 92.3% in favour.

Remuneration report (continued)

c. Executive remuneration arrangements

Remuneration principles and strategy

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

Approach to setting remuneration

For the year ended 30 June 2019, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below. The Group aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.

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

	Position	Year	Fixed remuneration	STI	LTI
Tony Pitt	Managing Director	**2019**	75.5%	12.6%	11.9%
		2018	88.0%	-	12.0%
Glenn Butterworth	Chief Financial Officer	**2019**	68.4%	16.2%	15.4%
		2018	78.1%	-	21.9%
James Storey	Head of Real Assets	**2019**	62.6%	19.2%	18.2%
	(commenced - 1 September 2018)	2018	-	-	-
Former Executives					
Ben James	Chief Investment Officer	**2019**	-	-	-
	(resigned - 31 October 2017)	2018	100.0%	-	-

Details of fixed remuneration

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

Details of short-term incentives

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

Remuneration report (continued)

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

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

50% weighting to financial measures, comprising;

- Earnings per security: To align performance incentives to the key Group earnings performance measure.
- Total securityholder returns: To align performance incentives to returns to those of Group Securityholders.

50% weighting to non-financial measures, comprising;

- Implementation of key strategic initiatives: To ensure performance incentives are aimed at achieving the Group's strategy any key business objectives.
- Compliance and risk management: To ensure performance measures encourage the maintenance of an effective compliance and risk management culture.

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

Details of long-term incentives

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

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

ESP August 2017

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

Remuneration report (continued)

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

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

Termination and change of control provisions

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

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

Remuneration report (continued)

d. Executive remuneration outcomes for 2019

Fixed remuneration

For the year ended 30 June 2019 the fixed remuneration reviews were as follows:

Managing Director - no change

Chief Financial Officer – increase to $425,000 per annum

Head of Real Assets – commenced role on 1 September 2018 at fixed remuneration of $375,000 per annum

Group performance and its link to short-term incentives

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

The financial performance measures driving STI payment outcomes are primarily operating profit per security of the Group and TSR. The Group's TSR for the year ended 30 June 2019 was 6.6% (2018: 10.9%) compared to ASX Small Ordinaries Accumulation Index of 1.9% (2018: 24.2%) and the S&P/ ASX 300 A-REIT Accumulation Index of 19.4% (2018: 13.2%) for the same period.

	2015	2016	2017	2018	2019
Profit attributable to securityholders of the Group ('000)	24,138	24,074	63,580	16,181	1,594
Basic EPS (cents)	10.6	10.6	29.5	7.8	0.7
Operating diluted EPS (cents)	6.4	7.0	6.1	5.0	2.3
Distributions per security (cents)	5.75	6.25	6.50	5.50	2.00
Special Dividend per security (cents)	-	-	-	21.01	3.00
Net Tangible Assets (NTA)	0.71	0.68	0.95	0.97	0.93
Security price ($)	1.07	0.96	0.97	1.02	1.03
Increase/(decrease) in security price	36.3%	(10.7%)	0.5%	5.7%	1.0%
Total KMP incentives as a percentage of profit for the year (%)	2.0%	3.2%	4.5%	1.1%	36.6%

Remuneration report (continued)

A total of $300,000 STI's were awarded during the financial year (2018: nil). The formal STI outcomes relating to this program are included in the table below for reference.

As detailed below, the 2019 STI financial gateway key performance measure Operating EPS for the year was satisfied with Operating EPS meeting the Board's internal target measures. The lower Operating EPS compared to prior years reflected the strategic decision to divest of the Groups investment in ADJ in October 2018. Also, the Groups TSR for 2019 of 6.6% was greater than the ASX Small Ordinaries Accumulation Index of 1.9% however less than the S&P/ ASX 300 A-REIT Accumulation Index of 19.4%.

Across the non-financial performance measures the Group developed and commenced implementing its expanded strategy of alternative asset funds management and investment, recruiting the key executive to head up each of the respective pillars. The Group also maintained its strong compliance culture and risk management framework across the business. Given the overall delivery across the financial and non-financial performance measures the Remuneration Committee recommended that a total of $300,000 in STI awards be granted for the Managing Director and executives for the 2019 year (2018: nil).

Performance measure	Weighting	Outcome	Action
Operating EPS	Gateway	Achieved targeted Operating EPS	STI measure satisfied
Operating EPS		Operating EPS of 2.3 cps	STI measure satisfied
TSR for 2019	50%	Total return of 6.6% lower than S&P/ ASX 300 A-REIT index and higher than ASX Small Ordinaries Index for the year	STI measure partially satisfied
Implementation of key strategic initiatives		Groups expansion into Alternative Asset management and Investment commenced and significant inroads made into building capacities across four pillar strategy	STI measure met and strategy will continue to be rolled out over the coming financial year
Compliance and risk management	50%	Group continued to maintain a strong compliance and risk management focus across its activities during the year	STI measure satisfied

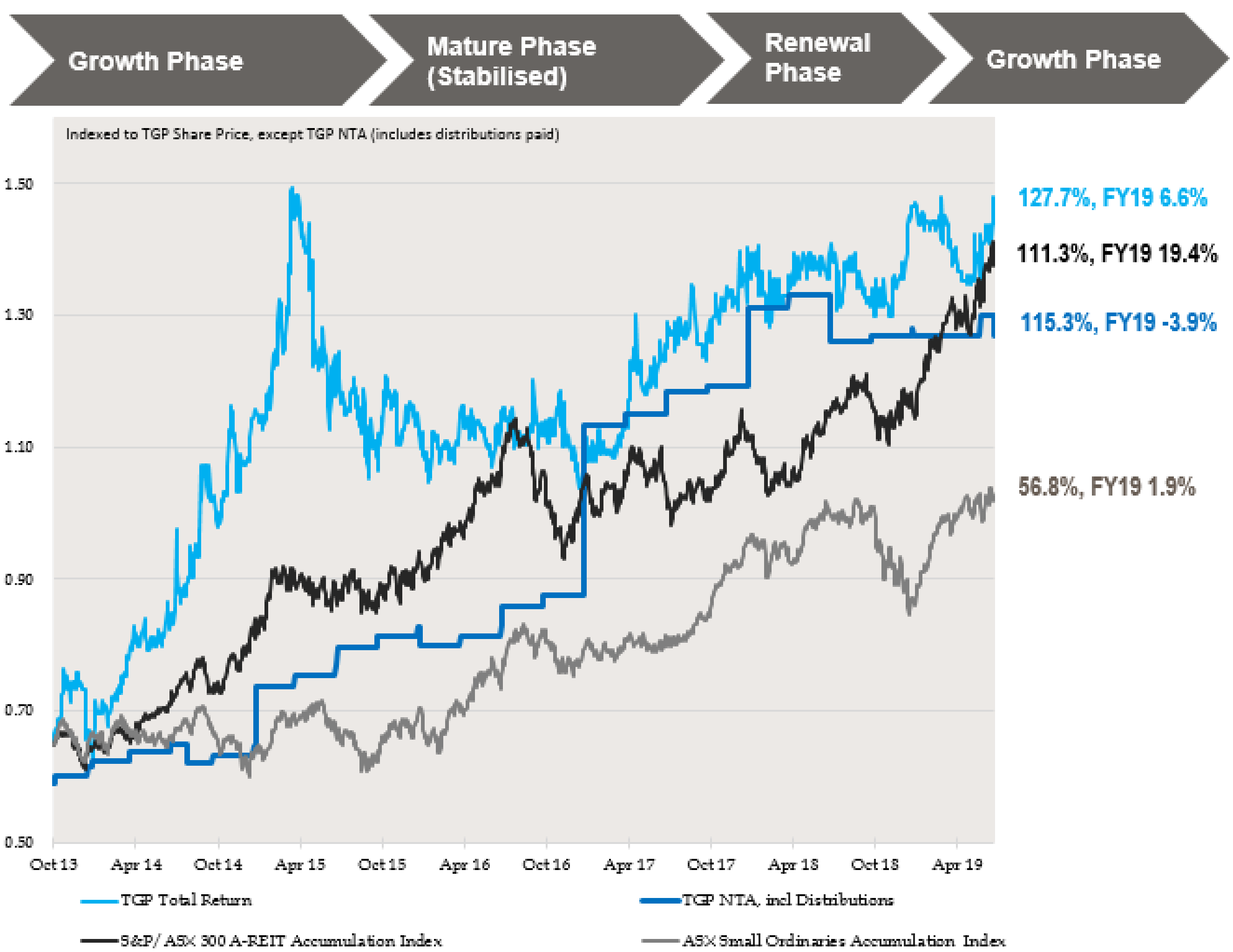
Remuneration report (continued)

Long term performance measure

The following chart demonstrates how the Group's TSR (including share price movements and dividends/distributions) has performed relative to the ASX Small Cap Industrials Accumulation Index and the S&P/ ASX 300 A-REIT Accumulation Index since listing of the Group in 2013. Whilst the LTI plan is based on absolute TSR the below graph gives an indication of the relative performance of the Group since the October 2013.

The Board implemented a new ESP in August 2017 with securities issued on 2 August 2017. The new plan was consistent with the previous ESP which vested in October 2016; however, the target returns were altered in alignment with the Group's strategic return targets, with the TSR target of 12% pa, over the 3 year vesting period commencing 2 August 2017. The new plan is seen by the Board as appropriate given the current transitional and rebuilding phase the Group has initiated. The return targets reflect the Boards view of the current position and likely future direction of the property market and the broader economic environment.

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



Remuneration report (continued)

		Short-term benefits			Post-employment benefits	Security based benefits	Other			
	Year	Salary & fees[1] $	Short-term incentive $	Non monetary benefits[3] $	Super-annuation $	Securities under ESP[4] $	Long service leave[2] $	Termination benefits $	Total $	Performance related %
Executive Director										
Tony Pitt - Managing Director	**2019**	548,266	100,000	22,533	20,531	94,600	9,592	-	795,522	24.5%
	2018	579,951	-	23,382	20,049	86,717	9,613	-	719,711	11.9%
KMP										
Glenn Butterworth - Chief Financial Officer	**2019**	385,302	100,000	-	20,531	94,600	15,476	-	615,909	31.6%
	2018	289,951	-	-	20,049	86,717	-	-	396,717	22.0%
James Storey - Head of Real Assets[5]	**2019**	295,391	100,000	-	17,110	94,600	13,573	-	520,673	37.4%
	2018	-	-	-	-	-	-	-	-	0.0%
Former Executives										
Ben James - Chief Investment Officer[6]	**2019**	-	-	-	-	-	-	-	-	-
	2018	50,211	-	-	2,493	-	47,094	52,525	152,323	0.0%
Total	**2019**	**1,228,959**	**300,000**	**22,533**	**58,172**	**283,800**	**38,640**	**-**	**1,932,104**	**30.2%**
	2018	920,114	-	23,382	42,591	173,433	56,707	52,525	1,268,751	13.7%

1. Salary and fees includes accrued annual leave paid out as part of salary, in comparative period movement in annual leave accrued was also shown separately.

2. Long service leave based on movement in accrual for the year, comparative adjusted to include prior year movement. In the comparative period Ben James' was based on long service leave paid out.

3. Car parking including associated Fringe Benefits Tax.

4. Securities were granted to employees under the 360 Capital Group Employee Security Plan (ESP) on 2 August 2017. The securities are subject to a 3 year Total Securityholder Return hurdle. The fair value of the grants was determined by an independent actuary and has been proportionally disclosed in the remuneration report to reflect the 3 year vesting period. The 2013 ESP fully vested on 1 October 2017. Further information on 360 Capital Group Employee Security Plan is provided in Note 17(c).

5. James Storey commenced role as Head of Real Assets on 1 September 2018.

6. Ben James resigned on 31 October 2017 and had taken 6 months leave without pay from March 2017 to September 2017.

Remuneration report (continued)

e. Executive contracts

Remuneration arrangements for Executive KMP, including the Managing Director (MD), are formalised in employment agreements. These agreements are of a continuing nature and have no fixed term of service. There were no changes to the service agreements for executive KMP during the year. The following outlines the details of contracts with KMP:

Tony Pitt the Managing Directors fixed remuneration is $600,000 per annum and this has not changed since October 2013. The key terms of the service agreements for the Managing Director and other executive KMP members are as follows:

		Notice period		
	Contract term	Employee	Group	Termination Payment [1]
Managing Director	No fixed term	6 months [2]	12 months	12 months
Other Executive KMP	No fixed term	3 months	6 months	6 months

[1] Payable if the Group terminates employee with notice for reasons other than unsatisfactory performance.
[2] In the event of change of circumstances one month's notice.

f. Non-executive director remuneration arrangements

Remuneration policy

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

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

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2005 AGM when securityholders approved an aggregate fee pool of $750,000 per year. The Board will not seek any increase for the NED pool at the 2019 AGM.

Remuneration report (continued)

Structure

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. Committee fees of $35,160 (2018: $64,403) were paid relating to the Board members involvement in the Independent Board Committee (IBC) together with other committees held during the year. Committee fees may vary based on time and effort required to fulfil the required duties. The table below summarises the NED standard committee fee entitlements for the year, noting William Ballhausen was paid additional fees during the current year and the prior year relating to his role as Chairman of the IBC together with his involvement in the court proceedings relating to the Group's investment in AJD.

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

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

The remuneration of NEDs for the year ended 30 June 2019 is detailed below:

	Year	**Salary**	**Committee Fees**	**Superannuation**	**Securities under ESP[1]**	**Total**	**Performance related**
		$	**$**	**$**	**$**	**$**	%
NED							
David van Aanholt	**2019**	130,000	-	12,350	3,153	145,503	2.2%
	2018	130,000	9,132	13,218	2,891	155,241	1.9%
William Ballhausen	**2019**	85,000	35,160	11,415	3,153	134,728	2.3%
	2018	85,000	37,007	11,068	2,891	135,966	2.1%
Graham Lenzner	**2019**	85,000	-	8,075	3,153	96,228	3.2%
	2018	85,000	9,132	8,943	2,891	105,966	2.7%
Andrew Moffat	**2019**	85,000	-	8,075	3,153	96,228	3.2%
	2018	85,000	9,132	8,943	2,891	105,966	2.7%
Total	**2019**	**385,000**	**35,160**	**39,915**	**12,613**	**472,688**	**2.7%**
	2018	385,000	64,403	42,172	11,564	503,139	2.3%

1. Securities were granted to employees under the 360 Capital Group Employee Security Plan on 2 August 2017. The securities were subject to a 3 year TSR hurdle, the securities fully vesting on 1 August 2020. The fair value of the grants was determined by an independent actuary and has been proportionally disclosed in the remuneration report to reflect the 3year vesting period. Further information on 360 Capital Group Employee Security Plan is provided in Note 17.

Remuneration report (continued)

g. Additional disclosures relating to options and securities

Securities awarded, vested and lapsed during the year

There are currently 9,400,000 securities awarded to KMPs and NEDs under the Group's ESP, which commenced on 2 August 2017, subject to a 3 year vesting period and TSR targets. A holding lock remains on vested securities until such time as the associated loan is repaid.

KMP	Year	Securities awarded during the year No.	Award date	Fair value per security at award date $	Vesting date	No. vested during year	No. lapsed during year
Tony Pitt	**2019**	-		-		-	-
	2018	3,000,000	02/08/17	0.9800	01/08/20	-	-
Glenn Butterworth	**2019**	-		-		-	-
	2018	3,000,000	02/08/17	0.9800	01/08/20	-	-
James Storey [1]	**2019**	-		-		-	-
	2018	3,000,000	02/08/17	0.9800	01/08/20	-	-
NEDs							
David van Aanholt	**2019**	-		-		-	-
	2018	100,000	02/08/17	0.9800	01/08/20	-	-
William Ballhausen	**2019**	-		-		-	-
	2018	100,000	02/08/17	0.9800	01/08/20	-	-
Graham Lenzner	**2019**	-		-		-	-
	2018	100,000	02/08/17	0.9800	01/08/20	-	-
Andrew Moffat	**2019**	-		-		-	-
	2018	100,000	02/08/17	0.9800	01/08/20	-	-

1. Securities were granted to James Storey under the 360 Capital Group Employee Security Plan on 2 August 2017 and he subsequently became a KMP on 1 September 2018.

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

For details on the valuation of securities, including models and assumptions used, please refer to Note 17(c) and Note 29. There were no alterations to the terms and conditions of securities awarded as remuneration since their award date.

Securities held in 360 Capital Group by key management personnel

KMP	Held at 1 July 2018	Granted as remuneration	Acquisition	Disposal	Held at 30 June 2019
Tony Pitt	65,759,189	-	1,740,811	-	67,500,000
Glenn Butterworth	3,255,025	-	7,901	-	3,262,926
James Storey[1]	3,000,000	-	-	-	3,000,000
	72,014,214	-	1,748,712	-	73,762,926

1. Securities were granted to James Storey under the 360 Capital Group Employee Security Plan on 2 August 2017 and he subsequently became a KMP on 1 September 2018.

Remuneration report (continued)

Securities held in 360 Capital Group by non-executive directors

NEDS	Held at 1 July 2018	Granted as remuneration	Acquisition	Disposal	Held at 30 June 2019
David van Aanholt	369,306	-	8,344	-	377,650
William Ballhausen	500,000	-	-	-	500,000
Graham Lenzner	344,824	-	7,585	-	352,409
Andrew Moffat	1,028,290	-	28,760	-	1,057,050
	2,242,420	-	44,689	-	2,287,109

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

h. Loans to key management personnel and their related parties

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

KMP	Balance at 1 July 2018 $	ESP loans issued during the year $	Interest charged in the year $	Payments made during the year $	Balance at 30 June 2019 $	Highest indebtness during the year $
Tony Pitt	6,480,000	-	184,441	(3,724,441)	2,940,000	6,480,000
Glenn Butterworth	2,940,000	-	90,000	(90,000)	2,940,000	2,940,000
James Storey[1]	2,940,000	-	90,000	(90,000)	2,940,000	2,940,000
	12,360,000	-	364,441	(3,904,441)	8,820,000	12,360,000

1. Loan was granted to James Storey under the 360 Capital Group Employee Security Plan on 2 August 2017 and he subsequently became a KMP on 1 September 2018.

The loan provided on the grant date was equivalent to the face value of the securities. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities. During the year interest on the loans to KMPs were waived for 2 quarterly distributions to allow cash for KMPs to meet their tax liability on their 2017 ESP securities associated with the capital reallocation that occurred in January 2018. The interest waiver for each KMP above was $60,000 (2018: $120,000) and totaled $180,000 for the year (2018: $240,000). For further information on these loans refer to Note 17.

On 28 March 2019, the Group provided a short-term loan of $1.786 million to Managing Director Tony Pitt at a market interest rate of 7.00 per cent, this loan was repaid on 11 April 2019. Tony Pitt used the funds from the short-term loan and an additional $1 million of his own funds to extinguish his $2.786 million 360 Capital Group 2013 Employee Security Plan Loan. There were no other loans to key management personnel and their related parties during the year.

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

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

Events subsequent to balance date

Subsequent to balance date, the Group launched a $50.0 million pre-IPO funding round of the 360 Capital Digital Infrastructure Fund (360CDIP) and committed $25 million seed capital into the fund as long term co-investment. 360CDIP has acquired an interest in an operating data centre business in Guam ($7.8 million) and exchanged contracts on a fully leased data centre in Perth ($37.0 million). The fund has also entered into a $10.6 million convertible note issued by a global hyperscale data centre operator. The fund has raised an additional $25 million in pre-IPO funding which the Group has underwritten.

In July 2019, the $5.0 million unsecured bank guarantee facility with Bankwest entered into by the Trust in June 2018, which was used to assist in meeting the Group's Australian Financial Services licence requirements, was terminated.

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

Environmental Issues

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

Buy back arrangement

The Group is not under any obligation to buy back, purchase or redeem units from stapled securityholders. During the year, the Group bought back and cancelled Nil (2018: Nil) securities.

Distribution Reinvestment Plan

The Group has a Distribution Reinvestment Plan (DRP) which was active for the September 2018 quarterly distribution. The Group issued 976,746 securities in October 2018 and raised $1.0 million relating to the September 2018 quarterly distribution. Securities were issued at a 1.5% discount to the Group's 10 day weighted average trading price as per the Group's DRP policy.

Options

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

Indemnification and insurance of Officers and Directors

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

Indemnification of auditors

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

Non-audit services

Disclosed in Note 27 were the non-audit services provided by the Group's auditors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 28 and forms part of the Directors' report for the year ended 30 June 2019.

Extension of auditor eligibility term

During the financial year the Group extended its auditor, Mark Conroy of Ernst & Young, for a period of 2 years commencing this year, in accordance with section 324DAB of the Corporations Act 2001.

Rounding of amounts

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

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

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
21 August 2019

Building a better
working world

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

As lead auditor for the audit of the financial report of 360 Capital Group Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
21 August 2019

Contents

360 Capital Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Revenue from continuing operations			
Rental from investment properties	3	3,969	9,293
Funds management fees	3	533	523
Distributions from property funds	3	2,205	3,979
Finance revenue		2,349	925
Total revenue from continuing operations		**9,056**	14,720
Other income			
Gain on bargain purchase	22	-	2,727
Net gain on disposal of financial assets		-	3,321
Net gain on fair value of investment properties		-	11,000
Net gain on fair value of derivative financial instruments		-	273
Share of equity accounted profits	11	1,963	924
Other income		-	29
Total other income		**1,963**	18,274
Total revenue from continuing operations and other income		**11,019**	32,994
Employee benefit expenses	5	3,215	3,118
Administration expenses		1,129	1,668
Depreciation expenses		7	6
Finance expenses	6	1,026	2,009
Transaction costs	4	1,606	4,471
Net loss on fair value of financial assets	9	2,044	352
Net loss on disposal of subsidiary		91	-
Profit from continuing operations before income tax		**1,901**	21,370
Income tax benefit	7	(384)	(211)
Profit for the year		**2,285**	21,581

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

360 Capital Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Profit for the year		**2,285**	21,581
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**2,285**	21,581
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		(2,061)	(1,373)
Unitholders of 360 Capital Investment Trust		3,655	17,554
Profit after tax attributable to the stapled securityholders		**1,594**	16,181
External non-controlling interests		691	5,400
Profit for the year		**2,285**	21,581

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		Cents	Cents
Basic earnings per security	28	**0.7**	7.8
Diluted earnings per security	28	**0.7**	7.2

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

360 Capital Group
Consolidated statement of financial position
As at 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents	18	177,230	14,814
Receivables	8	904	1,788
Assets held for sale	10	-	261,000
Financial assets at fair value through profit or loss	9	2,183	44,060
Other current assets		263	353
Total current assets		**180,580**	322,015
Non-current assets			
Investments equity accounted	11	21,964	18,659
Property, plant and equipment		40	40
Deferred tax assets	12	952	581
Total non-current assets		**22,956**	19,280
Total assets		**203,536**	341,295
Current liabilities			
Trade and other payables	13	652	4,696
Borrowings	14	-	29,000
Distribution payable		-	5,510
Income tax payable		-	13
Provisions	16	75	89
Derivative financial instruments	15	-	90
Total current liabilities		**727**	39,398
Non-current liabilities			
Borrowings	14	-	20,000
Provisions	16	119	66
Total non-current liabilities		**119**	20,066
Total liabilities		**846**	59,464
Net assets		**202,690**	281,831

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

360 Capital Group
Consolidated statement of financial position
As at 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Equity			
Issued capital - ordinary shares	17	1,194	260
Issued capital - trust units	17	194,880	157,658
Security based payments reserve		8,021	6,459
Retained earnings		(1,405)	41,431
Total equity attributable to stapled Securityholders		**202,690**	205,808
External non-controlling interest		-	76,023
Total equity		**202,690**	281,831

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

360 Capital Group
Consolidated statement of changes in equity
For the year ended 30 June 2019

	Note	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Retained earnings - Corporate $'000	Accumulated losses - Trust $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		260	157,658	6,459	69,889	(28,458)	205,808	76,023	281,831
Restatement of opening balances	19(f)	-	32,353		(47,714)	15,361	-	-	-
Adjusted balance at 1 July 2018		260	190,011	6,459	22,175	(13,097)	205,808	76,023	281,831
Total comprehensive income for the year		-	-	-	(2,061)	3,655	1,594	691	2,285
Transactions with non-controlling interest		-	-	-	-	-	-	(75,210)	(75,210)
Transactions with Securityholders in their capacity as Securityholders									
Issued shares/units - DRP		328	1,950	-	-	-	2,278	-	2,278
Issued shares/units - ESP		608	2,932	-	-	-	3,540	-	3,540
Security based payment transactions		-	-	1,562	-	(542)	1,020	-	1,020
Equity raising transaction costs		(2)	(13)	-	-	-	(16)	-	(16)
Dividends/distributions		-	-	-	(6,926)	(4,608)	(11,534)	(1,504)	(13,038)
		934	4,869	1,562	(6,926)	(5,150)	(4,711)	(1,504)	(6,215)
Balance at 30 June 2019		**1,194**	**194,880**	**8,021**	**13,188**	**(14,592)**	**202,690**	**-**	**202,690**
Balance at 1 July 2017		-	155,765	6,106	71,262	(34,042)	199,091	-	199,091
Total comprehensive income for the half year		-	-	-	(1,373)	17,554	16,181	5,400	21,581
Transactions with non-controlling interest		-	-	-	-	-	-	74,194	74,194
Transactions with Securityholders in their capacity as Securityholders									
Capital Reallocation									
Issued shares/units - DRP		184	1,233	-	-	-	1,417	-	1,417
Issued shares/units - ESP		107	719	-	-	-	826	-	826
Security based payment transactions		-	-	893	-	-	893	-	893
Equity raising transaction costs		(31)	(59)	-	-	-	(89)	-	(89)
Dividends/distributions		-	-	(540)	-	(11,970)	(12,510)	(3,571)	(16,081)
		260	1,893	353	-	(11,970)	(9,463)	(3,571)	(13,034)
Balance at 30 June 2018		260	157,658	6,459	69,889	(28,458)	205,808	76,023	281,831

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

360 Capital Group
Consolidated statement of cash flows
For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Cash receipts from customers		4,100	11,482
Cash payments to suppliers and employees		(6,028)	(7,211)
Dividends and distributions received		4,384	6,582
Finance revenue		2,235	925
Finance expenses		(1,087)	(1,731)
Income tax paid		-	(18,407)
Net cash inflows/(outflows) from operating activities	18	**3,604**	(8,360)
Cash flows from investing activities			
Payments for property, plant and equipment		(7)	-
Payments for equity accounted investments		(1,896)	-
Proceeds from disposal of financial assets		39,834	18,394
Payments for subsidiaries		-	(106,221)
Proceeds from disposal of subsidiaries		156,313	(1,150)
Payment of transaction costs		(1,606)	(4,212)
Net cash inflows/(outflows) from investing activities		**192,638**	(93,189)
Cash flows from financing activities			
Proceeds from borrowings		-	25,035
Repayment of borrowings		(20,000)	-
Proceeds from repayment of ESP loans		3,540	826
Distributions paid to stapled securityholders		(13, 826)	(10,009)
Distributions paid to external non-controlling interests		(940)	(2,632)
Payment of transaction costs to issue capital		(16)	(89)
Net cash (outflows)/inflows from financing activities		**(31,242)**	13,131
Net increase/(decrease) in cash and cash equivalents		**165,000**	(88,418)
Cash and cash equivalents at the beginning of the year		14,814	97,246
Cash balance on (deconsolidation)/consolidation/ of controlled entities		(2,584)	5,986
Cash and cash equivalents at the end of the year	18	**177,230**	14,814

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

Financial Information

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the Group.

Note 1: Segment reporting

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

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

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

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

The Group's management strategy and measures of performance focus on the returns from these core segments in order to deliver returns and value to investors. Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker within the Group. The information provided is net of specific non-cash items including fair value adjustments, straight-lining of lease revenues and incentives, security based payments expense and impairment adjustments. Significant one-off items are also excluded.

Corporate
Income and expenses for management of the Group on an overall basis are not allocated to three core operation segments. 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 1: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2019 are as follows:

Year ended 30 June 2019	Investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	533	-	533	-	533
Debt origination revenue	-	45	-	45	-	45
Net property income	-	-	-	-	3,969	3,969
Investment revenue	5,826	-	-	5,826	(1,548)	4,278
Finance revenue	2,039	96	214	2,349	-	2,349
Total revenue and other income	**7,865**	**674**	**214**	**8,753**	**2,421**	**11,174**
Operating expenses	158	2,187	1,611	3,956	-	3,956
Earnings before interest and tax (EBIT)	**7,707**	**(1,513)**	**(1,397)**	**4,797**	**2,421**	**7,218**
Interest expense	-	-	674	674	352	1,026
Operating profit before tax	**7,707**	**(1,513)**	**(2,071)**	**4,123**	**2,069**	**6,192**
Income tax expense	-	-	(704)	(704)	-	(704)
Operating profit (before specific non-cash and significant items)	**7,707**	**(1,513)**	**(1,367)**	**4,827**	**2,069**	**6,896**
Interest on Group ESP				497		
Operating earnings used in calculating - diluted operating EPS				**5,324**		
Weighted average number of securities - diluted ('000)				230,454		
Operating profit per security (EPS) - cents - diluted				**2.3**		

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 40.

Note 1: Segment reporting (continued)

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

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

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 40.

Note 1: Segment reporting (continued)

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

	30 June 2019 $'000	30 June 2018 $'000
Total revenue per segment report	**11,174**	16,506
Distributions from equity accounted investments	(2,074)	(1,405)
Share of equity accounted profits	(45)	(352)
Other income	-	(29)
Total revenue in the statement of profit or loss	**9,056**	14,720
Gain on bargain purchase	-	2,727
Share of equity accounted profits, net of distributions received	1,963	924
Net gain on disposal of financial assets	-	3,321
Net gain on fair value of derivative financial instruments	-	273
Net gain on fair value of investment properties	-	11,000
Other income	-	29
Total revenue and other income in the statement of profit or loss	**11,019**	32,994

Note 1: Segment reporting (continued)

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

	Total core 30 June 2019 $'000	Total core 30 June 2018 $'000	Total 30 June 2019 $'000	Total 30 June 2018 $'000
Profit after tax attributable to stapled securityholders	**1,594**	16,181		
Profit for the year			**2,285**	21,581
Specific non-cash items				
Net loss/(gain) on fair value of financial assets	2,044	(9,716)	2,044	352
Net (gain)/loss on disposal of financial asset	170	254	-	(3,321)
Net gain on fair value of investment properties	-	-	-	(11,000)
Net gain on fair value of derivative financial instruments	-	-	-	(273)
Gain on bargain purchase	-	-	-	(2,727)
Security based payments expense	395	360	395	360
Share of equity accounted profits, net of distributions received	154	833	154	833
Significant items				
Net loss on disposal of controlled entity	-	-	91	-
Transaction costs	149	2,271	1,606	4,471
Tax effect				
Tax effect of specific non-cash and significant items	320	506	320	506
Operating profit (before specific non-cash and significant items)	**4,827**	10,690	**6,896**	10,782

Note 1: Segment reporting (continued)

The segment balance sheet provided to the Board for the reportable segments for the year ended 30 June 2019 and 30 June 2018 are as follows:

As at 30 June 2019	Investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets						
Cash and cash equivalents	164,780	11,510	940	**177,230**	-	177,230
Financial assets and equity accounted assets	24,146	-	-	**24,146**	-	24,146
Other assets and intangibles	686	-	1,473	**2,159**	-	2,159
Total assets	189,612	11,510	2,413	**203,535**	-	203,535
Liabilities						
Other liabilities	65	72	708	**845**	-	845
Total liabilities	65	72	708	**845**	-	845
Net assets	**189,547**	**11,438**	**1,705**	**202,690**	**-**	**202,690**
ESP Loan Receivable				12,300		
Net assets used to calculate NTA per security				**214,990**		
Total ASX issued securities (including ESP securities) - diluted ('000)				230,873		
NTA per security diluted - $				**0.93**		

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

Note 2: Distributions and dividends

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

Distributions	30 June 2019 $'000	30 June 2018 $'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
2.00 cents per unit paid on 27 April 2018	-	4,542
2.00 cents per unit paid on 27 July 2018	-	4,570
1.00 cents per unit paid on 29 October 2018	2,299	-
1.00 cents per unit paid on 24 January 2019	2,309	-
	4,608	12,510

On 10 April 2019 the Company paid a fully franked dividend of 3.0 cps. In the prior year the Company paid a fully franked dividend of 21.01 cps which was reinvested into the Trust as part of a capital reallocation.

Dividends	30 June 2019 $'000	30 June 2018 $'000
21.01 cents per share fully franked special dividend	-	47,714
3.00 cents per share fully franked special dividend	6,926	-
	6,926	47,714

Note 3: Revenue

Rental from investment properties include:

	30 June 2019 $'000	30 June 2018 $'000
S1, Macquarie Park, Sydney, NSW	1,675	3,921
M1, Port Melbourne, Melbourne, VIC	1,426	3,338
P1, Malaga, Perth, WA	868	2,034
	3,969	9,293

As a result of the divestment of Asia Pacific Data Centre Group (AJD) detailed in Note 23, the results of AJD have been deconsolidated from the financial results of the Group from 12 October 2018, including the investment properties located at Macquarie Park, Sydney, Port Melbourne, Melbourne and Malaga, Perth. In the prior period, the results of AJD were consolidated into the financial results of the Group as detailed in Note 22.

Funds management fees include:

	30 June 2019 $'000	30 June 2018 $'000
Management fees	533	523
	533	523

Note 3: Revenue (continued)

Distributions from property funds include:

	30 June 2019 $'000	30 June 2018 $'000
Centuria 111 St Georges Terrace Fund	1,093	2,194
Centuria Havelock House Fund	-	119
Centuria Retail Fund	1,112	1,666
	2,205	3,979

Note 4: Transaction costs

	30 June 2019 $'000	30 June 2018 $'000
Business combination transaction costs	-	2,032
Legal fees - court case	1,606	1,324
Transaction costs - other	-	1,115
	1,606	4,471

Note 5: Employee benefit expenses

	30 June 2019 $'000	30 June 2018 $'000
Wages and salaries	2,585	2,469
Employer superannuation contributions	144	192
Security based payments expense	394	361
Payroll tax	92	96
	3,215	3,118

In August 2017 the Group implemented an Employee Security Plan (ESP). Employees were granted 12,500,000 securities subject to a 3 year Total Securityholder Return target. The fair value of the issue of securities under the ESP has been determined by an independent Actuary using a binominal pricing model. The Group has recognised $0.4 million (2018: $0.4 million) of security based payment expense in the statement of profit or loss. Further information on the ESP and the fair value calculation is provided in Note 17.

Note 6: Finance expenses

	30 June 2019 $'000	30 June 2018 $'000
Interest and finance charges paid and payable	1,026	2,009
	1,026	2,009

Note 7: Income tax expense

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

	30 June 2019 $'000	30 June 2018 $'000
Profit before tax attributable to stapled securityholders	1,210	15,970
Income tax expense at the effective corporate rate of 27.5%	333	4,392
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(1,004)	(4,827)
Accounting loss on disposal of investment		-
Equity accounted profits	(31)	(122)
Employee Security Plan interest income taxable	137	149
Security based payments expense non-tax deductible	108	99
Other tax adjustments	(10)	15
Income tax (benefit)/expense	(468)	(295)
Adjustment for current tax of prior years	84	84
Utilisation of prior year capital losses previously not brought to account	-	-
Income tax (benefit)/expense recognised in the statement of profit or loss	**(384)**	(211)

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

Note 8: Receivables

	30 June 2019 $'000	30 June 2018 $'000
Current		
Distributions receivables	571	648
Other receivables	333	1,140
	904	1,788

a) Bad and doubtful receivables

During the year, the Group provided a Nil (2018: Nil) expected credit loss (ECL) provision for bad and doubtful receivables under AASB 9 as the amount was immaterial to the Group's financial statements.

b) Fair values

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

c) Credit risk

There is a limited amount of credit risk – refer to Note 21 for more information on the risk management policy of the Group.

As at 30 June 2019, trade receivables of Nil (2018: Nil) were past due but not impaired.

Note 9: Financial assets at fair value through profit or loss

	30 June 2019 $'000	30 June 2018 $'000
Current		
Units in unlisted funds managed externally	2,183	44,060
Total	**2,183**	44,060

The Group holds investments in the following managed investment schemes:

	30 June 2019 %	30 June 2018 %	30 June 2019 $'000	30 June 2018 $'000
Current				
Unlisted investments subject to put and call option				
Centuria 111 St Georges Terrace Fund	-	28.1	-	20,270
Centuria Retail Fund	-	50.0	-	19,564
Unlisted funds managed externally				
Centuria Retail Fund	16.4	16.4	2,183	4,226
Total Current			**2,183**	44,060
Total			**2,183**	44,060

During the year, Centuria exercised $19.5 million in call option units relating to the Centuria Retail Fund in January 2019 and settled the remaining call option units in Centuria 111 St Georges Terrace Fund for $20.3 million in March 2019. As at 30 June 2019 there are no call options remaining.

The Group has written down its remaining 16.4% interest, which is not under a put option agreement, in the Centuria Retail Fund to $2.2 million.

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

	30 June 2019 $'000	30 June 2018 $'000
Balance at 1 July	44,060	103,302
Financial assets disposed - listed	-	(4,763)
Financial assets disposed – call option exercised	(39,833)	(13,631)
Financial assets consolidated into financial statements	-	(40,242)
Loss on disposal of financial assets	-	(254)
Fair value adjustment of financial assets	(2,044)	(352)
Closing balance	**2,183**	44,060

Note 10: Assets held for sale

	30 June 2019 $'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 year are as follows:

	Note	30 June 2019 $'000	30 June 2018 $'000
Opening Balance 1 July		261,000	**-**
Investment properties acquired through consolidation		-	250,000
Investment properties disposed through deconsolidation		(261,000)	-
Fair value adjustment of assets held for sale		-	11,000
Total		**-**	**261,000**

As a result of the Group's disposal of its investment in AJD on 12 October 2018, the results of AJD have been deconsolidated from the Group's financial results. For more information on the deconsolidation of AJD refer to Note 23. The fair value of the investment properties is determined by the Directors by reference to the most recent independent valuation for that property, updated to take into account any changes in valuation factors. Independent valuations were carried out on all properties at 30 June 2018. Refer below for more details on fair value of investment properties.

a) Valuation basis

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

Market sales comparison: The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales, activity adjustments are made from previous comparable sales to reflect changes in economic conditions.

Discounted cash flow: Projections derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space are discounted at a rate to arrive at a value. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property absolute to returns from alternative investments, CPI rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at terminal value. The terminal value is determined by using an appropriate capitalisation rate.

Capitalisation rate: An assessment is made of fully leased net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased net income is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments, including incentives, capitalised expenditure and reversions to market rent are made to arrive at the property value.

Note 10: Assets held for sale (continued)

b) Sensitivity Matrix

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

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note 21 for further information on the fair value hierarchy.

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

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

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

c) Highest and best use

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

d) Leases as lessor

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

	30 June 2019 $'000	30 June 2018 $'000
No later than 12 months	-	14,060
Between 12 months and five years	-	56,240
Greater than five years	-	68,125
	-	138,425

Note 11: Investments equity accounted

	30 June 2019 %	30 June 2018 %	30 June 2019 $'000	30 June 2018 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	-	-
Joint venture				
AMF Finance Pty Limited	50.0	50.0	397	352
360 Capital Digital Management Pty Ltd	50.0	-	-	-
360 Capital Equities Management Pty Ltd	50.0	-	-	-
Co-investment interest				
360 Capital Total Return Fund	26.3	23.7	21,567	18,307
			21,964	18,659

Partnership interest

The Group, through various wholly owned subsidiary companies, holds a 50% interest in the Renewing Homebush Bay Partnership. The other 50% is held by entities associated with Brookfield Multiplex Group. The principal activity of the partnership was residential property development. At 30 June 2019, the partnership was dormant and was in the process of being wound up.

Joint venture

The Group holds a 50% stake in AMF Finance Pty Limited (AMF). 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.

Co-investment interest

The Group holds a 26.3% interest in the 360 Capital Total Return Fund (ASX: TOT).

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

	30 June 2019 $'000	30 June 2018 $'000
360 Capital Total Return Fund		
Opening Balance - 1 July	18,307	19,141
Acquisitions of interest	3,414	-
Equity accounted profit for the year	1,918	572
Distributions	(2,073)	(1,406)
Closing Balance	**21,567**	18,307
AMF Finance Pty Limited		
Opening Balance - 1 July	352	-
Equity accounted profit for the year	45	352
Closing Balance	**397**	352
Total	**21,964**	18,659

Note 11: Investments equity accounted (continued)

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

	30 June 2019 $'000	30 June 2018 $'000
360 Capital Total Return Fund		
Current assets	65,713	73,242
Non current assets	20,975	6,537
Current liabilities	(4,312)	(1,574)
Equity	82,376	78,205
Group's carrying amount of investment	**21,567**	18,307

	$'000	$'000
Revenue from continuing operations	8,695	2,468
Other income	459	635
Expenses	(1,423)	(800)
Total comprehensive income for the year	**7,731**	2,303
Tax expense/(benefit)	60	(111)
Net Profit after tax	**7,671**	2,414
Group's share of profit	**1,918**	572

The following table provides summarized financial information relating to AMF:

	$'000	$'000
AMF Finance Pty Limited		
Assets	866	1,081
Liabilities	(73)	(378)
Equity	793	703
Group's carrying amount of investment	**397**	352

	$'000	$'000
Revenue from continuing operations	877	1,373
Expenses	(753)	(403)
Total comprehensive income for the year	124	970
Tax expense	(34)	(267)
Net Profit after tax	90	703
Group's share of profit	**45**	**352**

Note 12: Deferred tax assets and liabilities

	30 June 2019 $'000	30 June 2018 $'000
Deferred tax assets comprises temporary differences attributable to:		
Accrued expenses	202	81
Business acquisition costs	34	104
Tax losses	716	396
	952	581
Deferred tax liabilities comprises temporary differences attributable to:		
Accrued revenue	-	-
	-	-
Net deferred tax assets	**952**	581

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

	30 June 2019 $'000	30 June 2018 $'000
Balance at 1 July	581	268
Recognition and reversal of timing differences	11	(83)
Tax losses current year	360	396
Closing balance	952	581
Net deferred tax assets expected to reverse within 12 months	952	581
Net deferred tax assets expected to reverse after more than 12 months	-	-
	952	581

For further information on recognition of deferred tax balances refer to Note 7.

Tax consolidation
360 Capital Group Limited formed a tax consolidated group with effect from 1 July 2005. All wholly owned Australian resident subsidiaries are part of the tax consolidated group. 360 Capital Group Limited is the head entity of the tax consolidated group. Companies included in the 360 Capital Property Group acquisition that occurred during the year ended 30 June 2014 joined the tax consolidated group on the date of acquisition being 2 October 2013. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Note 13: Trade and other payables

	30 June 2019 $'000	30 June 2018 $'000
Trade & GST payables	21	1,416
Rental income received in advance	-	1,172
Employee benefits	396	26
Accruals	235	1,008
Other payables	-	1,074
	652	4,696

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

Note 14: Borrowings

	30 June 2019 $'000	30 June 2018 $'000
Current		
Borrowings - secured	-	29,000
	-	29,000
Non-current		
Borrowings - unsecured	-	20,000
	-	20,000
Total	**-**	49,000
Borrowings - secured		
Total facility limit	-	29,000
Used at end of reporting date	-	(29,000)
Unused at end of reporting date	**-**	-
Borrowings - unsecured		
Total facility limit	-	20,000
Total Bank Guarantee facility limit	5,000	5,000
Used at end of reporting date	-	(20,000)
Unused at end of reporting date	**5,000**	5,000
Movement during the financial year:		
Opening balance as at 1 July	49,000	-
Borrowings acquired through the AJD acquisition	-	25,000
Borrowings deconsolidated	(29,000)	-
Drawdowns from facility	-	24,000
Repayments of facility	(20,000)	-
Closing balance	**-**	49,000

a) Loan facilities summary

Bankwest facility – (Asia Pacific Data Centre Group)

In the prior period, the Group acquired a controlling interest in Asia Pacific Data Centre Group and as a result AJD was consolidated into the results of the Group, therefore AJD's secured borrowings were included as a loan held by the Group at 30 June 2018. On 12 October 2018, the Group disposed of its investment in AJD and as a result AJD has been deconsolidated from the Group from this date. For more information on the deconsolidation refer to Note 23.

Unsecured facility – First Samuel

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

Unsecured facility – Bank Guarantee

In June 2018, the Group entered into an unsecured $5.0 million bank guarantee facility with Bankwest to be used to assist in meeting the Group's Australian Financial Services licence requirements. Subsequent to balance date this facility was released and the Group no longer has any debt facilities in place.

Note 14: Borrowings (continued)

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

Note 15: Derivative financial instruments

	30 June 2019 $'000	30 June 2018 $'000
Non-current		
Interest rate swap contracts - fair value	-	90
Total	**-**	90

The Group utilises derivative financial instruments to hedge exposure to fluctuations in interest rates. Refer to Note 21 for further information on interest rate swap contracts.

a) Interest rate swap contracts
In the prior period, the Group acquired a controlling interest in Asia Pacific Data Centre Group and as a result AJD was consolidated into the results of the Group, therefore AJD's derivatives were included as derivatives held by the Group at 30 June 2018. On 12 October 2018, the Group disposed of its investment in AJD and as a result AJD has been deconsolidated from the Group from this date. For more information on the deconsolidation refer to Note 23

Note 16: Provisions

	30 June 2019 $'000	30 June 2018 $'000
Current		
Employee benefits	75	89
	75	89
Non-current		
Employee benefits	119	66
	119	66

Note 17: Equity

(a) Issued capital

	30 June 2019 '000	30 June 2018 '000
360 Capital Group Limited - Ordinary shares issued	218,373	210,028
360 Capital Investment Trust - Ordinary units issued	218,373	210,028

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	1,194	260
360 Capital Investment Trust - Ordinary units issued	194,880	157,658
Total issued capital	**196,074**	157,918

Note 17: Equity (continued)

(b) Movements in issued capital

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

	30 June 2019 '000	30 June 2018 '000
Opening balance at 1 July	210,028	207,203
Securities issued under the Dividend Reinvestment Plan	2,345	1,425
Employee securities where non-recourse loans were repaid during the year	6,000	1,400
Closing balance at 30 June	**218,373**	210,028

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

	30 June 2019 '000	30 June 2018 '000
Total ordinary securities disclosed at 1 July	218,373	210,028
Issued capital – balance ESP issued in October 2013	-	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 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. The security based payments reserve captures all transactions relating to the securities under the plan. During the period interest on the loans to KMPs were waived for 2 quarterly distributions to allow cash for KMPs to meet their tax liability on their 2017 ESP securities associated with the capital reallocation that occurred in January 2018. The interest waiver for KMP's totaled $180,000 for the period (2018: $240,000).

(d) Dividend Reinvestment Plan

The Group has a Distribution Reinvestment Plan (DRP) which was active for the September 2018 quarter. In July 2018 the Group issued 1,368,599 securities and raised $1.4 million relating to the June 2018 quarterly distribution and in October 2018 issued 976,746 and raised a further $0.9 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.

Note 17: 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 18: Cash flow information

(a) Reconciliation of cash and cash equivalents

	30 June 2019 $'000	30 June 2018 $'000
Cash at bank	177,230	14,814
Cash and cash equivalents in the statement of cash flows	**177,230**	14,814

(b) Reconciliation of net profit to net cash inflows from operating activities

	30 June 2019 $'000	30 June 2018 $'000
Net profit for the year	**2,285**	21,581
Adjustment for:		
Depreciation	7	6
Gain on bargain purchase	-	(2,727)
Net gain on disposal of financial assets	-	(3,321)
Net loss on fair value of financial assets	2,044	352
Net gain on fair value of investment properties	-	(11,000)
Net gain on fair value of derivative financial instruments	-	(273)
Security based payments expense	394	361
Share of equity accounted profits, net of distributions received	109	482
Transaction costs	1,606	4,471
Change in assets and liabilities		
Decrease in receivables and prepayments	102	2,159
Decrease in creditors and accruals	(2,609)	(1,833)
Net (decrease)/increase in income tax liabilities	(384)	(18,618)
Net cash inflows/(outflows) from operating activities	**3,604**	(8,360)

Risk

This section of the notes discusses the Groups' exposure to various risks and shows how these could affect the consolidated entity's financial position and performance.

Note 19: Basis of preparation

a) Reporting entity

The financial report of 360 Capital Group comprises the consolidated financial statements of 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities. A 360 Capital Group stapled security comprises one 360 Capital Group Limited share stapled to one 360 Capital Investment Trust unit to create a single listed entity traded on the ASX. The stapled security cannot be traded or dealt with separately.

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

The principal accounting policies adopted in the preparation of the financial report are set out below and in Note 32.

b) Statement of compliance

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

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

c) Basis of preparation

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

The financial report has been prepared on an accruals basis and on the historical cost basis except for investment properties, financial assets and financial liabilities, which are stated at their fair value or amortised cost. The accounting policies set out in Note 32 have been applied consistently to all periods presented in this financial report except for the new accounting standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. For more detail on the impact of the adoption of these standards refer to Note 32(a). The accounting policies have been applied consistently by all entities in the Group.

The financial report is presented in Australian dollars.

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

d) Critical judgements and significant accounting estimates

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

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

Note 19: Basis of preparation (continued)

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

Valuation of investment properties

The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken at least once in a two-year period. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 32(m).

Income taxes

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

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

Financial assets at fair value through profit or loss

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

In determining the NTA of the underlying investments, property assets are either valued using an external professional valuer, or subject to a Director valuation. All other assets and liabilities held within entities are valued in accordance with accounting policies, consistent with those noted in Note 32.

Control of entities

The Group has consolidated the financial results of entities it is deemed to control under AASB10 *Consolidated Financial Statements*. Critical judgements are made by the Group to determine whether control exists, principally around the three criteria which must be met (refer to Note 32(b)). Further information on Controlled Entities is included in Note 24.

The consolidated entity has applied the amendments contained in the Corporations Amendment (Corporate Reporting Reform) Bill 2010 in the preparation of this financial report which allows for removing the requirement in consolidated financial statements to include full parent entity information. A note containing information about the Parent Entity has been included at Note 32.

e) Changes in accounting policies and disclosures

The Group applied AASB 9 and AASB 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in Note 32(a).

Note 19: Basis of preparation (continued)

f) Restatement of equity balances

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

i) Capital reallocation

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

ii) Acquisition of Trafalgar Opportunity Fund No.4

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

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

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

Note 20: Capital Management

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

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

The Group has a Distribution Reinvestment Plan (DRP) which was active for the September 2018 quarterly distribution. In July 2018 the Group issued 1,368,599 securities and raised $1.4 million relating to the June 2018 quarterly distribution and in October 2018 issued 976,746 and raised a further $0.9 million relating to the September 2018 quarterly distribution Securities were issued at a 1.5% discount to the Group's 10 day weighted average trading price as per the Group's DRP policy.

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

For information on issued capital refer to Note 17 and on borrowings refer to Note 14.

Note 21: Other financial assets and liabilities

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

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

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

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

	30 June 2019 $'000	**30 June 2018 $'000**
Cash and cash equivalents	177,230	14,814
Receivables	865	1,788
Financial assets at fair value through profit or loss	2,183	44,060
Total	**180,278**	60,662

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. At reporting date, there are no issues with the credit quality of financial assets that are neither past due or impaired, and all amounts are expected to be received in full. The Group calculated the expected credit loss (ECL) in accordance with AASB 9 and this was deemed immaterial.

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

Note 21: Other financial assets and liabilities (continued)

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

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

	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in 1 to 5 years	Fixed interest maturing in more than 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2019						
Financial assets						
Cash and cash equivalents	177,230		-	-	-	177,230
Receivables	-	-	-	-	865	865
Financial assets at FVTPL	-	-	-	-	2,183	2,183
Total financial assets	**177,230**	**-**	**-**	**-**	**3,048**	**180,278**
Financial liabilities						
Trade and other payables	-	-	-	-	651	651
Total financial liabilities	**-**	**-**	**-**	**-**	**651**	**651**
Net financial assets	**177,230**	**-**	**-**	**-**	**2,397**	**179,627**
30 June 2018						
Financial assets						
Cash and cash equivalents	14,814		-	-	-	14,814
Receivables	-	-	-	-	1,788	1,788
Financial assets at FVTPL	-	-	-	-	44,060	44,060
Total financial assets	14,814	-	-	-	45,848	60,662
Financial liabilities						
Trade and other payables	-	-	-	-	4,696	4,696
Borrowings	-	29,000	20,000	-	-	49,000
Derivative financial instruments	-	-	-	-	90	90
Total financial liabilities	-	29,000	20,000	-	4,786	53,786
Net financial assets/(liabilities)	14,814	(29,000)	(20,000)	-	41,062	6,876

Note 21: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis

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

		Change in interest rate	
		-1%	1%
	Carrying amount	Profit	Profit
	$'000	$'000	$'000
30 June 2019			
Financial assets			
Cash and cash equivalents	177,230	**(1,772)**	**1,772**
Total (decrease) increase		(1,772)	1,772
30 June 2018			
Financial assets			
Cash and cash equivalents	14,814	(148)	148
Financial liabilities			
Borrowings	49,000	-	-
Derivative financial instruments	90	(28)	28
Total (decrease) increase		(176)	176

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

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

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

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

	Carrying amount	Contractual cash flow	Less than 1 Year	Between 1-5 Years	Over 5 Years
	$'000	$'000	$'000	$'000	$'000
30 June 2019					
Trade and other payables	651	(651)	(651)	-	-
	651	**(651)**	**(651)**	**-**	**-**
30 June 2018					
Trade and other payables	4,696	(4,696)	(4,696)	-	-
Borrowings	49,000	(51,697)	(31,208)	(20,489)	-
Derivative financial instruments	90	(95)	(95)	-	-
	53,786	(55,488)	(35,999)	(20,489)	-

Note 21: Other financial assets and liabilities (continued)

Price risk

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

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

Price risk – sensitivity analysis

A fluctuation of 1% in the market price of the underlying equity securities/units would impact the net profit of the Group, with all other variables held constant, by an increase/(decrease) of $21,831 (2018: $25,361).

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2019:

	Carrying amount		Fair value	
	30 June 2019 $'000	30 June 2018 $'000	30 June 2019 $'000	30 June 2018 $'000
Current Financial liabilities				
Borrowings	-	29,000	-	29,000
Derivative financial instruments	-	90	-	90
Total current financial liabilities	**-**	29,090	**-**	29,090
Non-Current Financial liabilities				
Borrowings	-	20,000	-	20,000
Total non-current financial liabilities	**-**	20,000	**-**	20,000
Total financial liabilities	-	49,090	-	49,090

Note 21: Other financial assets and liabilities (continued)

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

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

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

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

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

30 June 2019	$'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	**2,183**	-	-	2,183
Financial liabilities measured at fair value				
Derivatives	**-**	-	-	-

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

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.

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

	30 June 2019 $'000	30 June 2018 $'000
Balance at 1 July	4,227	4,579
Net loss on fair value of financial assets	(2,044)	(352)
Closing balance	**2,183**	4,227

Note 21: Other financial assets and liabilities (continued)

Valuation techniques

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

The NTA of investments is driven by underlying investment properties which are carried at fair value based on valuations using the capitalisation rate, markets sale comparison and discounted cash flow approaches (refer to Note 18). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates and discount rates. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date.

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

Borrowings
The fair value of the borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Group Structure

This section of the notes provides information which will help users understand how the group structure affects the financial position and performance of the consolidated entity.

Note 22: Business combinations and acquisition of non-controlling interests

There were no business combinations or acquisitions of non-controlling interests in the year ended 30 June 2019. Business combinations which occurred in the prior comparative period are detailed below.

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).

Note 22: Business combinations and acquisition of non-controlling interests (continued)

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

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

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

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

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

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

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

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

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

Note 22: Business combinations and acquisition of non-controlling interests (continued)

Contingent consideration

There is no contingent consideration as part of this transaction.

Purchase consideration – cash outflow on acquisition

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

Acquisition related costs

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

Gain on fair value of financial assets

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

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

Note 23: Divestment of subsidiary

Summary of divestment transaction

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

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

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

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

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

Net assets divested:

	$'000
Assets	
Cash and cash equivalents	2,584
Receivables and other current assets	1,200
Investment properties	261,000
Non-current assets	152
Liabilities	
Trade and other payables	5,779
Borrowings	29,000
Derivative financial instruments	90
Carrying value of assets divested	230,067
Less: Non-controlling interests	(75,211)
Carrying value of assets divested excluding non-controlling interest	154,856
Net loss on disposal recognised at balance date	**(91)**

The carrying value of net assets divested has been calculated with reference to the most recent publicly available information to calculate the net assets of AJD on 12 October 2018, including adjustments for items that the Group believes can be reliably estimated including rental income, interest expense and transaction costs.

AJD financial information

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

Note 23: Divestment of subsidiary (continued)

Income statement

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

	$'000
Rental income	3,969
Finance expenses	(352)
Transaction costs	(1,503)
Net Profit	**2,114**

The Group has included rental income, interest expense and transaction costs of AJD in its results as the Group believes these items can be reliably estimated with reference to the most recent publicly available information.

Disposal consideration – cash flows on disposal

	$'000
Cash consideration received	154,765
Add: Special distribution received	1,548
Inflow of cash upon disposal of subsidiary	**156,313**
Less: Cash and cash equivalents deconsolidated	(2,584)
Total cash inflow upon disposal	**153,729**

Note 24: Subsidiaries and controlled entities

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

a) Interest in subsidiaries of 360 Capital Group Limited

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2019	Equity Holding 30 June 2018
			%	%
Trafalgar Corporate Pty Limited (TCL)	Australia	Ordinary	100	100
TC Group Developments Pty Limited	Australia	Ordinary	100	100
TC Rhodes Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 6 Contractor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 6 Contractor Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 8 Lessor Holdings Pty Limited	Australia	Ordinary	100	100
TC RHB Stage 8 Lessor Pty Limited	Australia	Ordinary	100	100
TCG Frances Park Pty Limited	Australia	Ordinary	100	100
TC Renewing Homebush Bay Pty Limited	Australia	Ordinary	100	100
TC (RHB) Pty Limited	Australia	Ordinary	100	100
360 Capital FM Limited	Australia	Ordinary	100	100
Trafalgar Twelve Four Finance Pty Limited	Australia	Ordinary	100	100
Trafalgar Twelve Four Note Issuer Pty Limited	Australia	Ordinary	100	100
360 Capital Property Limited	Australia	Ordinary	100	100
360 Capital Financial Services Pty Limited	Australia	Ordinary	100	100
360 Capital RE Pty Limited	Australia	Ordinary	100	100
360 Capital Custodian No.2 Pty Limited	Australia	Ordinary	100	100
360 Capital PS Management Pty Limited	Australia	Ordinary	100	100
360 Capital Properties No.2 Pty Limited	Australia	Ordinary	100	100
360 Capital CMBS Pty Limited	Australia	Ordinary	100	100
BRPTS Portfolio No.1 Pty Limited	Australia	Ordinary	100	100
BRPT Finance Pty Limited	Australia	Ordinary	100	100
360 Capital PERE Pty Limited[1]	Australia	Ordinary	75	75

[1] 360 Capital 2017 PERE Pty Limited was renamed 360 Capital PERE Pty Limited in August 2018.

Note 24: Subsidiaries and controlled entities (continued)

b) Interest in controlled entities of 360 Capital Investment Trust

Name of entity	Country of domicile	Equity Class	Equity Holding 30 June 2019	30 June 2018
			%	%
360 Capital Investment Trust (stapled entity)	Australia	Ordinary	100	100
Trafalgar Opportunity Fund No. 4	Australia	Ordinary	100	100
360 Capital Trust	Australia	Ordinary	100	100
360 Capital Retail Fund	Australia	Ordinary	100	100
360 Capital Diversified Property Fund	Australia	Ordinary	100	100
360 Capital DIP Trust [1]	Australia	Ordinary	100	100

[1] In June 2019 360 Capital AJD Trust changed its name to 360 Capital DIP Trust.

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

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

[1] During the prior year the Group increased its holding in Asia Pacific Data Centre Group to 67.3% and the results are consolidated from 3 November 2017. Refer to Note 22 for more information.

Unrecognised Items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

Note 25: Commitments and contingencies

Capital commitments
The Group had no capital commitments as at 30 June 2019 (2018: Nil).

Contingencies
There are no contingent liabilities as at 30 June 2019 (2018: Nil).

Note 26: Events subsequent to balance date

Subsequent to balance date, the Group launched a $50.0 million pre-IPO funding round of the 360 Capital Digital Infrastructure Fund (360CDIP) and committed $25 million seed capital into the fund as long term co-investment. 360CDIP has acquired an interest in an operating data centre business in Guam ($7.8 million) and exchanged contracts on a fully leased data centre in Perth ($37.0 million). The fund has also entered into a $10.6 million convertible note issued by a global hyperscale data centre operator. The fund has raised an additional $25 million in pre-IPO funding which the Group has underwritten.

In July 2019, the $5.0 million unsecured bank guarantee facility with Bankwest entered into by the Trust in June 2018, which was used to assist in meeting the Group's Australian Financial Services licence requirements, was terminated.

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

Other Information

This section of the notes includes information that must be disclosed to comply with prescribed accounting standards and other pronouncements, but that are not immediately related to individual line items in the financial statements.

Note 27: Auditors' remuneration

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

	30 June 2019 $	30 June 2018 $
Audit services		
Audit and review of financial reports	101,000	163,000
Other assurance services	7,500	27,768
	108,500	190,768
Non-audit services		
Taxation compliance services	46,750	64,000
Total auditors' remuneration	**155,250**	254,768

Note 28: Earnings per stapled security

	30 June 2019 ¢	30 June 2018 ¢
Basic earnings per stapled security	**0.7**	7.8
Diluted earnings per stapled security	**0.7**	7.2

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	1,594	16,181

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	212,934	208,130
Weighted average number of stapled securities - diluted	230,454	226,028

Dilution

As at 30 June 2019, there is a total of 12,500,000 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 17.

Note 29: Related party transactions

Parent entity

The legal parent entity is 360 Capital Group Limited.

Controlled entities

Interests in controlled entities are set out in Note 24.

Key management personnel

Key management personnel of the Group include:

Executive director
Tony Robert Pitt, Managing Director

Other KMP
Glenn Butterworth, Chief Financial Officer
James Storey, Head of Real Assets – commenced role on 1 September 2018

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

	30 June 2019 $	30 June 2018 $
Short-term benefits	1,551,492	943,495
Post-employment benefits	58,172	42,591
Termination benefits	-	99,619
Security based payments	283,800	173,433
Total compensation	**1,893,464**	1,259,138

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

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

KMP	Balance at 1 July 2018 $	ESP loans issued during the year $	Interest charged in the year $	Payments made during the year $	Balance at 30 June 2019 $	Highest indebtness during the year $
Tony Pitt	6,480,000	-	184,441	(3,724,441)	2,940,000	6,480,000
Glenn Butterworth	2,940,000	-	90,000	(90,000)	2,940,000	2,940,000
James Storey[1]	2,940,000	-	90,000	(90,000)	2,940,000	2,940,000
	12,360,000	-	364,441	(3,904,441)	8,820,000	12,360,000

1. Loan was granted to James Storey under the 360 Capital Group Employee Security Plan on 2 August 2017 and he subsequently became a KMP on 1 September 2018.

Note 29: Related party transactions (continued)

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

NEDS	Balance at 1 July 2018 $	ESP loans issued during the year	Interest charged in the year $	Payments made during the year $	Balance at 30 June 2019 $	Highest indebtness during the year $
David van Aanholt	98,000	-	5,000	(5.000)	98,000	98,000
William Ballhausen	98,000	-	5,000	(5,000)	98,000	98,000
Graham Lenzner	98,000	-	5,000	(5,000)	98,000	98,000
Andrew Moffat	98,000	-	5,000	(5,000)	98,000	98,000
	392,000	-	20,000	(20,000)	392,000	392,000

The loan provided on the grant date was equivalent to the face value of the securities. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities. During the year interest on the loans to KMPs were waived for 2 quarterly distributions to allow cash for KMPs to meet their tax liability on their 2017 ESP securities associated with the capital reallocation that occurred in January 2018. The interest waiver for each KMP above was $60,000 (2018: $120,000) and totaled $180,000 for the year (2018: $240,000).

For further information on these loans refer to Note 17.

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

Bank Guarantee
On 29 June 2018, 360 Capital FM Limited received an $5.0 million eligible undertaking to support its AFS licence requirements. The undertaking was funded by an unsecured facility entered into by 360 Capital Investment Trust and provided by Bankwest. On 8 July 2019, the Bank Guarantee was cancelled and the associated unsecured facility released by Bankwest.

Investment in entity related to director and KMP
In July 2019, the Group acquired a 50% interest in a company Digital Software Solutions Pty Ltd. The remaining 50% interest is held separately by a director Tony Pitt and KMP's James Storey and Glenn Butterworth (together "Founding Shareholders"). The Group interest was acquired at market value and as part of the acquisition the Group issued a two year option to the founding shareholders to buy back a 25% interest based on an agreed 20% return to the Group upon exercise.

Loan to Director
On 28 March 2019, the Group provided a short-term loan of $1.786 million to Managing Director Tony Pitt at a market interest rate of 7.00 per cent. This loan was repaid on 11 April 2019. Tony Pitt used the funds from the short-term loan and an additional $1 million of his own funds to extinguish his $2.786 million 360 Capital Group 2013 Employee Security Plan Loan.

Transactions with Directors
During the year, a company of which John Ballhausen is a Director and joint owner had a sub-leasing arrangement for office space with a wholly owned subsidiary of the Group on arms-length commercial terms.

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

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

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

Note 29: Related party transactions (continued)

Debenture Loan

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

Loan with related entity

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

Responsible Entity Fees

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

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.

There were no other transaction with related parties during the prior year.

Responsible Entity fees

360 Capital FM Limited, a wholly owned subsidiary of the Group, acted as Responsible Entity and/or Custodian for a number of managed investment schemes in which the Group also held an investment.

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

	30 June 2019 $	30 June 2018 $
360 Capital Total Return Fund	532,813	523,420
	532,813	523,420

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

The Responsible Entity is entitled to a management fee calculated in accordance with the Fund's constitution, which is either a percentage per annum of the gross asset value of the Fund or a percentage of the gross rental income of the Fund. Custodian fees are paid and calculated in accordance with the constitution at a rate of 0.05% of the gross assets.

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

	30 June 2019 $	30 June 2018 $
360 Capital Total Return Fund	2,072,520	1,405,901
	2,072,520	1,405,901

For details of the Group's investment in the management investment schemes refer to Note 11.

Note 30: Deed of cross guarantee

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

Consolidated balance sheet for the closed group:	**30 June 2019 $'000**	**30 June 2018 $'000**
Current assets	355	3,432
Non-current assets	87,853	114,403
Total assets	**88,208**	117,835
Current liabilities	99	140
Non-current liabilities	65,727	88,039
Total liabilities	**65,826**	88,179
Net Assets	**22,382**	29,656
Issued capital	14,288	15,011
Security based payments reserve	2,589	2,195
Retained earnings/(Accumulated losses)	5,505	12,450
Total equity	**22,382**	29,656

Consolidated income statement for the closed group:	**30 June 2019 $'000**	**30 June 2018 $'000**
Profit from Continuing operations before income tax	(452)	646
Income tax	-	(178)
(Loss)/profit after tax from continuing operations	**(452)**	468
Net (loss)/profit for the year	**(452)**	468
Retained earnings at the beginning of the year	17,838	65,084
Dividends provided for or paid	(6,926)	(47,714)
Retained earnings at the end of the year	**10,460**	17,838

Note 31: Parent entity disclosures

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

	30 June 2019 $'000	30 June 2018 $'000
Current assets	342	3,419
Non-current assets	67,587	94,011
Total assets	**67,929**	97,430
Current liabilities	99	140
Non-current liabilities	45,244	67,320
Total liabilities	**45,343**	67,460
Issued capital	5,245	5,968
Security based payments reserve	2,589	2,195
Retained earnings	14,752	21,807
Total equity	**22,586**	29,970
Net (loss)/profit for the year	(342)	957
Total comprehensive (loss)/income for the year	**(342)**	957

Parent entity contingencies

360 Capital Group Limited and its wholly owned subsidiary, 360 Capital Property Limited (CPL), are parties to a deed of cross guarantee, refer to Note 30 for further information. There are no other contingencies at 30 June 2019 (2018: Nil).

Note 32: Statement of significant accounting policies

a) Changes in accounting policy

The Group applied AASB 9 and AASB 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 AASB 139 *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.

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

i) Classification and measurement

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under AASB 139. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are SPPI. These receivables continue to be measured at amortised cost.

Note 32: Statement of significant accounting policies (continued)

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

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

At initial recognition, the Group measures a financial assets and financial liabilities (other than trade receivables and cash) at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets at FVTPL are subsequently measured at fair value. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

ii) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

Upon adoption of AASB 9, the Group performed ECL provision calculations and the loss allowance was immaterial therefore it has not been recognised.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* (AASB 15) establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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

There were no other changes to the Group's accounting policies for the financial reporting year commencing 1 July 2018. The remaining policies of the Group are consistent with the prior year.

b) Basis of consolidation

Stapling

In October 2013, each ordinary share in 360 Capital Group Limited was stapled to a unit in the 360 Capital Investment Trust and together they form the Stapled Entity known as 360 Capital Group. Equity holders of the Group are entitled to an equal interest in each stapled entity.

In accordance with the principles contained in AASB 3 *Business Combinations*, the Group has determined that the Company is the parent entity in the stapling arrangement.

Note 32: Statement of significant accounting policies (continued)

For statutory reporting purposes, the Group reflects the consolidated entity being the Company (the acquirer) and its controlled entities. On the basis that the Company does not hold any interest in the Trust, the net assets, profit or loss and other comprehensive income of the Trust are considered non-controlling interests and are therefore disclosed separately.

The Constitutions of the Trust and the Company ensure that, for so long as these entities remain jointly listed, the number of units in the Trust and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interest of 360 Capital Group.

The stapling arrangement will cease upon the earlier of the winding up of any of the stapled entities, or any of the entities terminating the stapling arrangement.

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

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

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

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

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and Trust as at 30 June 2019 and the results of all subsidiaries for the year then ended.

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

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

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

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

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

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

Note 32: Statement of significant accounting policies (continued)

c) Segment reporting

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

Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker within the Group.

d) Revenue recognition

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

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

<u>Funds management fees</u>
Management, custodian and deferred exit fee revenue is recognised in accordance with AASB 15, being the entitlement to fees for the management service provided.

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

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

e) Employee benefits

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

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

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

Note 32: Statement of significant accounting policies (continued)

Share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Refer to Note 17(c) for further detail.

f) Finance expenses

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

g) Income tax

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

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

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

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

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

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

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

h) Impairment of assets

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

Note 32: Statement of significant accounting policies (continued)

i) Cash and cash equivalents

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

j) Receivables

Receivables, previously classified as *Loans and receivables* under AASB 139 are now classified and measured as *Financial assets at amortised cost* under AASB 9 *Financial Instruments*. Receivables are recognised initially at fair value and subsequently at amortised cost. The payment terms are usually 30 days after the invoice is raised. They are classified as current assets except where the maturity is greater than 12 months after the reporting date in which case they are classified as non-current.

The Group assesses expected credit losses upon initial recognition of the financial asset with a forward-looking expected credit loss (ECL) approach. For trade and other receivables, the Group applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognized from initial recognition of the receivables. In prior periods, amounts not recoverable were assessed at each reporting date under AASB 139. Indicators that an amount was not recoverable include where there was objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. Any allowances for non-recoverable receivables were recognised in a separate allowance account. Any bad debts which had previously been provided for were eliminated against the allowance account. In all other cases bad debts were written off directly to the statement of profit or loss.

k) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial assets and financial liabilities (other than trade receivables, loan 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 are classified into the following specified categories: “Financial assets at amortised cost” and “Financial assets at fair value through profit or loss”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Financial assets at fair value through profit or loss</u>
Financial assets designated at fair value through profit or loss comprises investments in unlisted and listed funds. Upon initial recognition, the investments are designated at fair value through profit or loss in accordance with AASB 9 *Financial Instruments*.

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

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

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

<u>Financial assets at amortised cost</u>
Refer to Note 32(j).

Note 32: Statement of significant accounting policies (continued)

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out in Note 32(n) and Note 32(q) below.

Impairment
Under AASB 9, the Group's accounting for impairment losses for financial assets has changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group assesses expected credit losses upon initial recognition of the financial asset with a forward-looking expected credit loss (ECL) approach for all financial assets not held at fair value through profit or loss. For trade and other receivables, the Group applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The ECL on trade and other receivables is immaterial.

l) Assets held for sale

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

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

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

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

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

m) Investment properties

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

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

n) Derivative financial instruments

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

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

Note 32: Statement of significant accounting policies (continued)

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

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

o) Property, plant and equipment

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

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

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

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

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

p) Trade and other payables

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

q) Borrowings

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

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

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

r) Provisions

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

Note 32: Statement of significant accounting policies (continued)

Distributions

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

s) Issued capital

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

t) Goods and services tax (GST)

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

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

u) Accounting standards issued but not yet effective

The following new accounting standards and amendments to standards have been issued, but are not mandatory as at 30 June 2019. They are available for early adoption, but have not been applied in preparing these financial statements. The Group plans to adopt these standards on the effective date. The impact of these new standards are as follows:

- AASB 16 *Leases (Effective January 1, 2019).* This standard establishes the enhanced reporting requirements of the Lessee and lessor when entering into Leases. This is not expected to materially impact the Group's financial statements as the Group does not currently have any material lease arrangement in place.

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

- AASB 2018-1 *Annual Improvements 2015-2017 Cycle (Effective January 1, 2019)*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

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

360 Capital Group
Directors' declaration
For the year ended 30 June 2019

In the opinion of the Directors of 360 Capital Group:

1) The consolidated financial statements and notes that are set out on pages 29 to 84, and the Remuneration report contained in the Directors' report on pages 2 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 30 June 2019 and of its performance for the financial year ended on that date; and

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

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

3) There are reasonable grounds to believe that the members of the closed group identified in Note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 30.

4) The Directors have given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2019.

5) The Directors draw attention to Note 19(b) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

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

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
21 August 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 360 Capital Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

1. Disposal of Asia Pacific Data Centre Group ('AJD')

Why significant	How our audit addressed the key audit matter
On the 12 October 2018, TGP sold its entire 67% holding in AJD via the takeover offer by NEXTDC for a total consideration of $154.8m. AJD had been controlled by TGP and consolidated into the financial statements as at 30 June 2018. At the date of disposal, the total carrying value of the assets divested (at 100%) was $230.1 million of which TGP's share was $154.9 million. A loss of $0.1m was recognised on disposal. Given the significance of the deconsolidation to the balance sheet of the Group we considered this to be a key audit matter. Disclosure of the disposal is included in Note 23 of the financial report.	Our audit procedures included the following: ► We agreed the sales price to the underlying sales agreements and traced the receipt of cash to the bank statement. ► We have assessed the accuracy of the inputs used in the 30 June 2019 calculation of the loss on disposal and the classification in the profit and loss. ► We involved EY tax specialists to assess the tax implications of the transaction to determine whether they have been appropriately identified and recorded. ► We have assessed the adequacy of the disclosures in the financial statements as at 30 June 2019.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Building a better working world

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 25 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of 360 Capital Group Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
21 August 2019

Information below was prepared as at 12 August 2019.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
TT INVESTMENTS PTY LTD <TT INVESTMENT A/C>	28,773,500	12.46
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,361,036	11.85
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,404,630	7.54
PENTAGON FINANCIAL SERVICES PTY LIMITED <PENTAGON INVESTMENT A/C>	13,579,009	5.88
WYLLIE GROUP PTY LTD	12,474,576	5.40
UBS NOMINEES PTY LTD	12,173,114	5.27
PRUDENTIAL NOMINEES PTY LTD	9,530,000	4.13
PENTAGON CAPITAL PTY LIMITED	9,456,279	4.10
TT INVESTMENTS PTY LIMITED <TT SUPER FUND A/C>	7,236,994	3.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,959,373	3.01
CITICORP NOMINEES PTY LIMITED	6,598,086	2.86
NATIONAL EXCHANGE PTY LTD	5,500,000	2.38
TT INVESTMENTS PTY LTD <TT INVESTMENT A/C>	4,732,659	2.05
NATIONAL NOMINEES LIMITED	4,549,199	1.97
MR JAMES STOREY	3,000,000	1.30
MR GLENN BUTTERWORTH	3,000,000	1.30
MR TONY PITT	3,000,000	1.30
BOND STREET CUSTODIANS LIMITED <LAMAN - D05019 A/C>	2,101,131	0.91
URB INVESTMENTS LIMITED	2,000,000	0.87
GEMTRICK PTY LTD <JOHN HARRIS SUPER FUND A/C>	1,250,000	0.54
Total Securities held by Top 20 security holders	**180,679,586**	**78.26**
Total Securities on issue	**230,872,645**	**100.00**

b) Distribution of securityholders:

Number of securities held by securityholders	Number of holders	Securities held	% of issued securities
1 to 1,000	354	170,711	0.07
1,001 to 5,000	956	2,712,391	1.18
5,001 to 10,000	488	3,946,518	1.71
10,001 to 100,000	918	26,851,561	11.63
100,001 and over	70	197,191,464	85.41
Totals	**2,786**	**230,872,645**	**100.00**

The total number of securityholders with less than a marketable parcel was 138 and they hold 7,011 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
Mr Tony Pitt	31/07/18	66,841,314	29.07
LHC Capital Partners Pty Ltd	4/10/18	19,698,478	8.57
First Samuel Limited	28/03/17	14,623,503	6.81
National Exchange Pty Ltd & Prudential Nominees	7/08/2019	14,832,259	6.42
Wylie Group Pty Ltd	02/10/13	12,474,576	5.52
Investors Mutual Ltd	04/05/18	11,550,000	5.05

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

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

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

Executive Director
Tony Robert Pitt (Managing Director)

Officers
Glenn Butterworth - Chief Financial Officer
Jennifer Vercoe - Company Secretary

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

Auditor
Ernst & Young
200 George Street Sydney NSW 2000

Website
www.360capital.com.au

360 Capital