ASX Release | Appendix 4D

360 Capital Group

For the half year ended 31 December 2014

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

This preliminary financial report is given to the ASX in accordance with Listing Rule 4.2.A. This report should be read in conjunction with the Financial Report for the half year ended 31 December 2014. It is also recommended that the Financial Report be considered together with any public announcements made by the Group. Reference should also be made to the statement of significant accounting polices as outlined in the 30 June 2014 financial report. The Interim Financial Report for the period ended 31 December 2014 is attached and forms part of this Appendix 4D.

Details of reporting period:

Current reporting period: 1 July 2014 – 31 December 2014

Prior corresponding period: 1 July 2013 – 31 December 2013

Results for announcement to the market:

	31 Dec 2014 $'000	31 Dec 2013 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	39,696	31,309	8,387	26.8
Profit/(loss) from ordinary activities after tax attributable to stapled securityholders	21,933	15,339	6,594	43.0
Operating profit *	6,973	5,790	1,183	20.4

*Operating profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash items and significant items. The Directors consider operating profit to reflect the core earnings of the Group. Operating profit is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Group's statutory profit to operating earnings is provided in Note 6 of the Interim Financial Report.

	31 Dec 2014 Cents per unit	31 Dec 2013 Cents per unit	Movement Cents per unit	Movement %
Basic earnings per stapled security	9.7	9.9	(0.2)	(2.0)
Diluted earnings per stapled security	8.8	9.2	(0.4)	(4.3)
Operating earnings per stapled security	3.1	3.7	(0.6)	(16.2)

Distributions:

	Cents per unit	Total amount paid $'000	Date of payment
September 2014 quarter distribution	1.3125	3,264	24 October 2014
December 2014 quarter distribution	1.4790	3,679	27 January 2015
Total distribution for the period ended 31 December 2014	**2.7915**	**6,943**	
September 2013 quarter distribution	1.25	3,096	24 October 2013
December 2013 quarter distribution	1.25	3,109	24 January 2014
Total distribution for the period ended 31 December 2013	**2.50**	**6,205**	

360 Capital Group

For the half year ended 31 December 2014

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

Net tangible assets per security:

	31 Dec 2014 $	31 Dec 2013 $
Net tangible assets (NTA) per security **	0.70	0.60

** Under the listing rules, NTA must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests etc.). The number of securities on issue at 31 December 2014 is 248.7 million (2013: 248.7 million). For calculation of NTA per security, the number of securities is reduced to 226.7 million (2013: 226.7 million). The difference represents securities issued under the 360 Capital Group Employee Security Plan, which under *AASB2: Share-based payments*, are not recognised for accounting purposes or included when calculating NTA per security. The corresponding loan receivable and interest income are also not recognised.

Control Gained or Lost over Entities during the period:

Refer to Note 17 of the Interim Financial Report.

Details of Associates and Joint Venture entities:

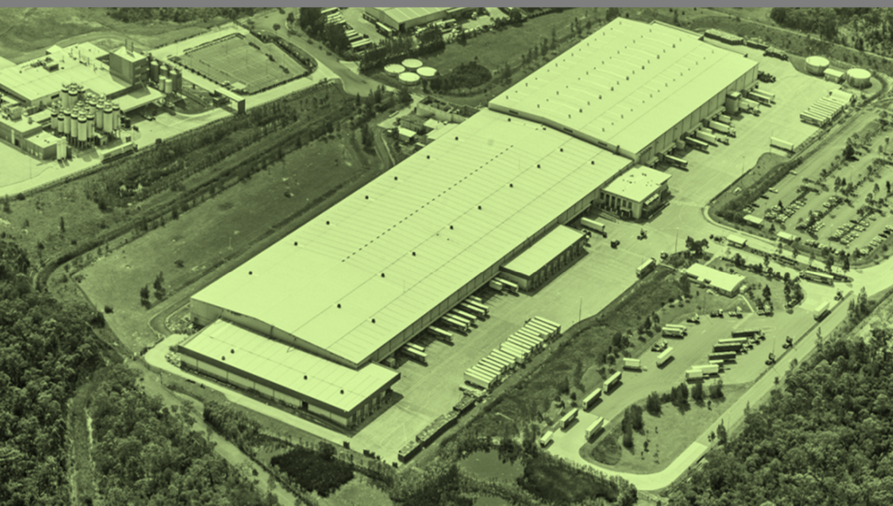
Refer to Note 9 of the Interim Financial Report.

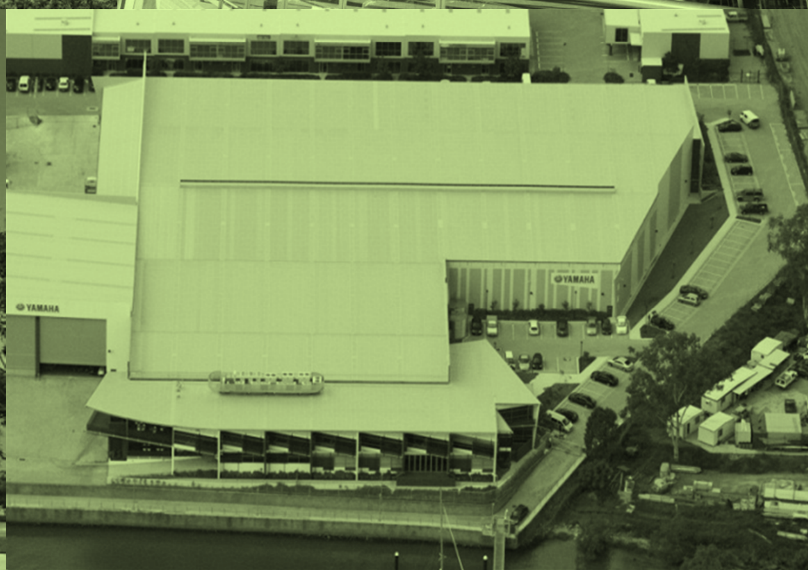
360 Capital Group

Interim Financial Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

360 CAPITAL GROUP





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

360 CAPITAL GROUP

Interim Financial Report
For the half year ended 31 December 2014

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**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Directors of 360 Capital Group Limited ("Company") present their report, together with the interim financial report of 360 Capital Group ("Group") for the half year ended 31 December 2014. 360 Capital Group comprises 360 Capital Group Limited ("Parent Entity") and its controlled entities and 360 Capital Investment Trust and its controlled entities.

Directors

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

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

Principal activities

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

- Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
- Co-investment in managed funds - aligning interests of the Group with underlying fund investors and providing income through distributions and capital growth in equity values
- Direct asset investment - delivering rental cash flows, until the divestment of the Groups remaining direct property asset

The Group contracted during the period to sell its s last remaining direct asset at Hurstville which now enables the Group to focus on being a pure fund manager with co-investments in the funds it manages.

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

Operating and financial review

The statutory profit after tax attributable to the stapled securityholders of 360 Capital Group for the half year ended 31 December 2014 was $21.9 million (31 December 2013: $15.3 million). The operating profit (profit before specific non-cash items and significant items) was $7.0 million (31 December 2013: $5.8 million).

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

The following table summarises key reconciling items between statutory profit after tax attributable to the stapled securityholders of 360 Capital Group and operating profit. The operating profit information in the table has not been subject to any specific audit procedures by the Group's auditor but has been extracted from Note 6 of the accompanying financial statements for the half year ended 31 December 2014, which have been subject to review; refer to page 43 for the auditor's review report on the financial statements.

Operating and financial review (continued)	**Total core 31 December 2014 $'000**	**Total core 31 December 2013 $'000**
Profit after tax attributable to stapled securityholders of 360 Capital Group	**21,933**	**15,339**
Specific non-cash items		
Net gain on fair value of financial assets	(8,354)	(6,697)
Reversal of impairment of equity accounted investments	-	(600)
Net (gain)/loss on fair value of investment properties	(8,250)	5,773
Net gain on fair value of derivative financial instruments	(10)	-
Security based payment expense	346	173
Straight-lining of lease revenue and incentives	365	277
Significant items		
Gain on bargain purchase of 360 Capital Property Group	(287)	(9,321)
Business combination transaction expenses	-	791
Write back of provision of management fee income from property funds	-	(1,985)
Other	46	-
Tax effect		
Tax effect of non-cash and significant item adjustments	1,184	2,040
Operating profit (profit before specific non-cash and significant items)	**6,973**	**5,790**

The key financial highlights for the half year ended 31 December 2014 include:

- Statutory net profit attributable to stapled securityholders of 360 Capital Group of $21.9 million (December 2013: $15.3 million)
- Operating profit of $7.0 million (December 2013: $5.8 million)
- Operating earnings (including Active Earnings) of $17.1 million up 66.0% on $10.3 million in prior corresponding period (pcp)
- Statutory Basic earnings per security (EPS)[1] of 9.7 cps (December 2013: 9.9 cps)
- Operating EPS[1] of 3.1 cps (December 2013: 3.7 cps)
- Operating Diluted earnings including active earnings EPS[1] of 7.1 cps (December 2013: 6.7 cps)
- Distributions of 2.7915 cps (December 2013: 2.50 cps) reflecting a payout ratio of 90% of base earnings
- Net assets[2] increased to $164.0 million from $142.6 million as at 30 June 2014
- 31 December 2014 security trading price of $1.05 per security up from $0.785 as at 30 June 2014
- Significantly outperformed S&P/ASX300 AREIT Accumulation Index with 37.3% total return in 6 months
- Group's market capitalisation increased to $261.1 million from $195.2 million as at 30 June 2014

[1] For the calculation of Basic EPS per security, the number of securities is reduced from 248.7 million to 226.7 million (31 December 2013: 155.3 million) which excludes securities issued under the 360 Capital Group Employee Security Plan ("ESP"), which under AASB2: Share-based payments, are not recognised for accounting purposes. The corresponding ESP loan receivable and interest income are also not recognised. Diluted EPS represents earnings (including interest income on employee share scheme loans not recorded under AAS divided by total securities on issue.

[2] Excludes amounts relating to 3 Managed Funds with material non-controlling interests, deemed to be controlled under AASB 10. The performance of these managed funds, which are operated as managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's "core" operations. Balances associated with these Funds are only included to the extent of the Group's equity investment value. Please refer to Note 6 Segment reporting.

Operating and financial review (continued)

The key operating achievements for the half year ended 31 December 2014 include:

- Accelerated Group's strategy of becoming a pure fund manager and co-investor by opportunistically exchanging contracts to sell the Hurstville property for $47.0 million (22.0% premium to previous book value)
- Completed 360 Capital Diversified Property Fund takeover
- Completed $75.0 million unsecured five year corporate bond issue
- Repaid all Group bank debt with $19.5 million of facility available to redraw
- Strategic $27.1 million investment in Australian Industrial REIT (ASX: ANI) becoming its largest unitholder
- Exchanged contracts over two shopping centres for $69.6 million for the new unlisted 360 Capital Retail Fund No. 1
- Purchased a further 3% of 360 Capital Office Fund (ASX: TOF) at a substantial discount to NTA per unit
- Crystallised $4.1 million in unlisted trust exit fees
- Settled Goulburn asset disposal for $4.3 million.

Managed funds key achievements for the half year ended 31 December 2014 continue to drive Group returns through our co-investment, these include:

- 360 Capital Industrial Fund (ASX: TIX): $61.0 million equity raising, $12.0 million in DRP proceeds to acquire $155.3m[1] of quality assets
- TIX: upgraded FY15 DPU forecast by 4.2% to 20.0cpu, upgraded FY15 EPU to 21.2 cpu
- TIX: announced takeover proposal for the $320.0 million ANI
- TOF: Disposed of Burwood asset for $80.0 million, $15 million above book value
- TOF: purchased 576 Swan St, Richmond, Victoria for $46.5 million
- TOF: commenced buyback of up to 15% of its issued units
- 360 Capital 111 St Georges Terrace Property Trust unitholders approved Trust extension to 2022 and crystallisation of $3.4 million exit fee, Group co-investment now 44.2%
- 360 Capital Subiaco Square Shopping Centre Property Trust unitholders approved Trust extension to 2020 and crystallisation of $0.7 million exit fee, Group co-investment now 39.8%

Financial results

Statutory results

The Group's statutory net profit attributable to securityholders for the half year ended 31 December 2014 was $21.9 million, equating to 9.7 cps, reflecting a 43.1% increase compared to the profit of $15.3 million for prior period. The statutory net profit for the period was primarily driven by a full six months profit contribution resulting from the acquisition of the 360 Capital Property Group which occurred on 2 October 2013 in the prior period. Distribution revenue also increased as a result of acquisitions of co-investments funded by redeployment of Group capital and from corporate bond proceeds.

The Group also recognised $19.3 million of other income during the half including fair value gains across the Group's listed and unlisted investments and the one-off gain from the fair value uplift following the exchange of contracts for sale for the disposal of the Group's Hurstville property.

The Group's statutory balance sheet as at 31 December 2014 had gross assets of $405.9 million reflecting an increase of $77.1 million from 30 June 2014. Current assets have increased to $75.2 million reflecting the reclassification of the Groups Hurstville investment property to assets held for sale. The Group's financial assets fair valued through the profit and loss increased in total by $38.2 million to $131.1 million which included the investment of $27.1 million in the listed property fund ANI.

Total borrowings at 31 December 2014 increased to $167.8 million primarily as a result of the Group's $75.0 million unsecured note issuance in September 2014.

[1] Includes the acquisition of 136 Zillmere Road, Boondall QLD which exchanged on 17 December 2014 and settled on 16 January 2015

Operating and financial review (continued)

Segment results

The operating profit for the half year ended 31 December 2014 was $7.0 million, equating to 3.1cps, a 20.7% increase on the profit of $5.8 million for the prior period. The result reflects the full six months operating profit contribution resulting from the acquisition of 360 Capital Property Group in the prior period combined with distribution revenue growth driven by significant additional capital invested in listed and unlisted co-investments.

In addition to operating earnings the Group continues to monitor the "Active Earnings" contribution (representing capital deployed into repositioning and trading opportunities) and also the fair value movements. Both of these contribute to the Group's overall returns and were created by the Group's ability to actively generate earnings from its capital deployed, and enhance the value of its investments.

Operating earnings (including Active Earnings) combined to contribute $17.1 million[1] or 7.1 cps, to the overall Group returns, an increase of 66% on the prior period of $10.3 million[2]. The two main contributors to Active Earnings for the period were an uplift of from the Hurstville investment property contracted for sale during the period of $4.8 million (excluding the deferred rent receivable component) and the value uplift of $5.5 million from the acquisition of the minority interest in the Diversified Fund (recognised directly in equity). The balance of Active Earnings for the period comprised employee Security based payments and the bargain gain on Subiaco Trust acquisitions.

The Group's total segment assets increased by over $77.6 million to $251.5 million primarily driven by co-investment activities including fair value uplifts combined with further acquisitions in managed funds and the acquisition of ANI units during the period. The Groups net assets increased by $21.4 million further strengthening the Group's net asset backing.

Funds Management

Over the past 6 months, 360 Capital has rationalised the number of funds in the platform by completing a takeover of the minority interests in 360 Capital Diversified Property Fund (Diversified Fund) by the Group providing full liquidity to the fund and simplifying the Group's corporate structure whereby all co-investments in the Group are now held directly by the Group. Further rationalisation is being achieved with unitholders in the 360 Capital Canberra Trust (Canberra Trust) agreeing to wind up the fund on 360 Capital's recommendation and the fund has now unconditionally exchanged contracts for the sale of the fund's asset.

The Group has now completed the rationalisation of funds in the platform and has provided all unitholders within the platform with the opportunity to exit their investment either through ASX listing 360 Capital Office Fund (ASX Code: TOF) and 360 Capital Industrial Fund (ASX Code: TIX), winding up (Canberra Trust and various development funds etc.), providing liquidity facilities for 360 Capital 111 St Georges Terrace Property Trust (111 St Georges Terrace Trust) and 360 Capital Subiaco Square Shopping Centre Property Trust (Subiaco Trust).

For the six months to December 2014, the Group increased funds under management (FUM) from $1.08 billion to $1.11 billion. FUM growth was relatively moderate as a result of the Office Fund completing the opportunistic disposal of its Burwood office asset at a significant premium to its previously reported book value.

The funds management division of the Group generated recurring revenue of $3.0 million, up from $1.9 million in the pcp. After allocated operating expenses and tax, the funds management division made a profit of $0.6 million, up from break even in the pcp.

[1] Operating earnings including active earnings of $17.1 million for the half year ended 31 December 2014 represents operating earnings plus value uplift on Hurstville investment property (excluding deferred rent receivable) of $4.8 million, value uplift on Diversified Fund (recorded in equity) of $5.5 million, bargain gain on Subiaco acquisition $0.3 million less employee security based payments and tax of $0.5 million.

[2] Operating earnings including active earnings of $10.3 million for the half year ended 31 December 2013 represents operating earnings plus value uplift on Lawson loan mezzanine debt of $4.8 million less employee security based payments and tax expense of $0.3 million.

Operating and financial review (continued)

Listed Funds

The Group now manages two ASX listed Funds and unitholders in CVC Property Fund voted 99.9% approval for 360 Capital to take over the management. Current FUM across these three funds was $783.7 million up from $756.7 million in June 2014.

Industrial Fund

The 360 Capital Industrial Fund (TIX) was particularly active since June 2014, raising a total of $73 million in equity and acquiring a total of $130.3 million during the period with a further acquisition of $25.0 million post period.

On 19 December 2014, TIX made a takeover offer for ANI, a $320 million ASX listed industrial fund which is also externally managed and has a very similar mandate to TIX. The Group is the largest unitholder in ANI and if TIX is successful in the takeover and ANI becomes wholly owned by TIX, TIX's gross assets are expected to increase to approximately $850.0 million.

Other opportunities for TIX are emerging as larger AREITs focus on above $50.0 million assets and private investors focus on the sub $10.0 million range. By focusing on the market between $10.0 million and $50 million and utilising its lower cost of capital given the current unit trading price and lower borrowing costs, TIX is in a strong position to continue to grow its EPU and DPU through acquisitions.

TIX remains well supported by investors with its last capital raising multiple times oversubscribed. It has provided investors with a 83.3% total return since listing two years ago.

Office Fund

The 360 Capital Office Fund (ASX: TOF) delivered on its IPO promise to take advantage of the buoyancy in the Sydney residential market capturing the development upside from opportunistically disposing of its Burwood property. The 26 year old property was sold for $80.0 million, $15.0 million in excess of its December 2013 book value, with proceeds used to retire the majority of TOFs borrowings. Post period, TOF settled the acquisition of a two year old property in Richmond, Victoria for $46.5 million redeploying proceeds from the Burwood sale.

TOF has a mandate to invest in A-grade suburban assets and B-grade CBD assets, a market characterised by depth and few competitors. Gross assets of TOF are approximately $225.9 million and TOF is seeking to continue to grow this asset base while growing EPU and DPU.

The market has re-rated TOF post period, with it trading up to around $2.20 on the ASX and being well supported by investors seeking regular and attractive income from a modern office portfolio. Coupled with its low cost of borrowings, TOF is in a strong position to continue to grow its asset base and has a focus to be included in the S&P/ASX300 AREIT Index over the next year.

360 Capital Total Return Fund

On 21 January 2015 99.9% of unitholders in CVC Property Fund, a small AREIT (ASX:CJT), voted to change the mandate of the fund to a total return base mandate and appoint 360 Capital as the responsible entity. The fund is currently undertaking a capital raising of up to $50.0 million which is expected to close at the end of March 2015 and increase the gross assets of the fund to approximately $75.0 million.

360 Capital will be entitled to ongoing base management fees of 0.65% of gross assets, acquisition and disposal fees and a performance fee of 20% above a 12% total return.

Operating and financial review (continued)

Unlisted Funds

Within the Group's unlisted funds division the focus has been to maximise current portfolio value and returns for unitholders and rationalising the non-core funds.

The Group now has four core single asset unlisted funds from its original suite with a total gross asset value of $220.0 million following significant rationalisation of the unlisted fund portfolio.

On 13 August 2014, the Group made an offer to all of the unitholders in the Diversified Fund to purchase all of the units the Group did not already own at $0.25 per unit for total consideration of $21.2 million. This transaction was structured as a scheme of arrangement. Diversified Fund unitholders approved the proposal on 8 September 2014 and the Diversified Fund is now a wholly owned subsidiary of the Group.

As a result of significant leasing success at 44 Sydney Avenue, Canberra, the responsible entity recommended Canberra Trust unitholders approve the wind up of the Trust, subsequently approved at the meeting on 25 August 2014. The property has now been unconditionally exchanged and the Trust will be wound up as soon as practicable.

The Group had $5.1 million in accrued exit fees at 30 June 2014 within its unlisted funds division, a receivable which had provided a consistent income return.

On 2 October 2014, unitholders of the 360 Capital Subiaco Square Shopping Centre Property Trust overwhelmingly voted to extend the trust until 2020 and allow 360 Capital to crystallise and reset accrued exit fees of approximately $0.7 million.

On 11 December 2014 unitholders of the 360 Capital 111 St Georges Terrace Property Trust overwhelmingly voted to extend the trust until 2022 and allow 360 Capital to crystallise and reset accrued exit fees of approximately $3.4 million.

New Unlisted Funds

On 22 July 2014, the Group launched the 360 Capital AREIT Fund (AREIT Fund), a property securities fund managed by Damian Diamantopoulos as Head of Property Securities. Damian has over 12 years' experience as a property securities manager and is responsible for growing the property securities business from the Group's Melbourne office. The AREIT Fund has outperformed the S&P/ASX300 Accumulation Index since inception generating a total return of 17.5% to date compared to 15.6% from the Index. The AREIT Fund is currently obtaining independent research and seeking inclusion on several wrap platforms.

On 24 December 2014, the Group established the 360 Capital Retail Fund No. 1 (Retail Fund), an unlisted closed ended fund for retail investors. The Retail Fund entered into contracts to purchase two shopping centres for a combined purchase price of $69.6 million. Since entering into the contracts, one of the major tenants at the subregional centre in Queensland under contract agreed to a new 10 year lease. The other property in the portfolio, Windsor Marketplace, Sydney is anchored by Woolworths on a long lease until 2033.

The Retail Fund will undertake a $43.0 million capital raising, underwritten by 360 Capital Group, and has until 30 June 2015 in which to settle the properties.

The Group will receive an acquisition fee of approximately $1.7 million, an underwriting fee of $1.3 million, ongoing management fees of approximately $0.4 million p.a. and disposal and potential performance fees upon sale of the properties after seven years. The Retail Fund will provide monthly distributions to unitholders based on a forecast FY16 8.0% distribution yield.

360 Capital expects unlisted funds will be a growth part of the business going forward due to the low interest rate environment and investor demand for reliable and attractive yield. Following the rationalisation of its unlisted funds business, 360 Capital will focus on rolling out new unlisted closed ended funds regularly based on the Retail Fund's template.

The Group remains focused on becoming one of the top five providers of unlisted property funds in Australia and as such intends to grow this business aggressively.

Operating and financial review (continued)

Co-investments in managed funds

As mentioned above, the Group made an offer to unitholders in the Diversified Fund to purchase all units the Group did not already own. This provided long sought-after liquidity for Diversified Fund unitholders with the Diversified Fund now a wholly owned subsidiary of the Group, significantly boosting the Group's co-investments. As a result of this transaction, the Group booked an uplift of $5.5 million recognised directly in retained earnings (meaning it did not go through the profit and loss) and boosting the Group's NTA by 2.2cps.

Following the Group's purchase of the Diversified Fund in September 2014, all co-investments are now directly owned by the Group. At 31 December 2014, the Group had total co-investments investments in its managed funds of $177.3 million, up from $101.3 million in 30 June 2014.

The Group has $108.9 million of core co-investments in ASX listed entities comprising:

- $44.9 million representing a 29.7% stake in 360 Capital Office Fund
- $36.8 million representing a 12.0% stake in 360 Capital Industrial Fund
- $27.2 million representing a 12.9% stake in Australian industrial REIT

TIX has made a takeover offer for ANI. If this takeover offer proceeds and the Group accepts TIX units as consideration (based on the current proposal), the Group will have a co-investment in the combined entity of approximately 12.2%.

The Group segment has a total of $68.4 million in co-investment in unlisted funds including seed capital for the new Retail Fund. These co-investments are considered shorter term investments, many of which are providing recyclable capital for the Group as follows:

- $16.5 million stake in Centuria managed funds has provided suboptimal income returns to the Group. As a result the Group initiated a successful wind up strategy during the period to return unitholders' capital predominately in FY15, with the balance in FY16
- $45.9 million (excluding Canberra Trust) invested in 360 Capital managed unlisted funds, approximately 2/3 of which is the Group's 44.2% interest in 111 St Georges Terrace Trust. 360 Capital is reviewing options to recycle this capital back into the Group over the next 12- 18 months.
- $3.9 million invested in the recently formed Retail Fund to enable the Retail Fund to pay the deposits on the two properties on which the Fund has exchanged. The Group has committed a total of $43.0 million in equity for the Retail Fund on a short term basis through an underwriting agreement; however the Group expects to sell down most if not all of this raising prior to settlement of the properties.

The Group's co-investment in unlisted funds was boosted during the period after the Group provided liquidity facilities to the 111 St Georges Terrace Trust and Subiaco Trust, as well as converting a total of $4.1 million of exit fees in these two funds to fund units.

The Group's co-investments contributed $5.8 million in net operating profit to the Group during the six months to December 2014. Furthermore, as a result of the takeover of the Diversified Fund, the Group classified the uplift in equity (above) of $5.5 million and the bargain gain on Subiaco Trust acquisition of $0.3 million as Active Earnings. Operating profit from co-investments, represented a 9.1% annualised income return on capital invested (before capital growth).

The Group also benefited from a further $8.4 million in fair value gains from the uplift in value of the various co-investments during the period.

The total return including operating profit, uplifts in values and the uplift in retained earnings from the Group's co-investments totalled $20.0 million, representing a return of capital of 32% annualised for the six months.

The Group will continue to allocate capital to its listed co-investments as appropriate, and will look to continue to allocate capital in the form of underwriting new unlisted funds launched by the Group.

Operating and financial review (continued)

Hurstville investment property sale

On 30 October 2014, the Group exchanged unconditional contracts to dispose of its last remaining direct asset at 20 Woniora Road, Hurstville, NSW for a gross sale price of $47.0 million. The sale price represents a 22.0% premium to the previous carrying value of the asset of $38.5 million. Under the contract, the purchaser will also lease the entire building from the expiry of the ATO lease in February 2015 until settlement on 30 September 2015, with the sale price to be reduced by any rental payments under the lease.

The half year net profit from direct asset investments was $3.2 million, down 7.3% on the prior period mainly as a result of reducing the Group's exposure to direct assets through disposals. The Group also recorded a profit on sale of the Hurstville asset of $4.8 million during the period as a result of the gain on sale (excluding lease payments under the sale contract). This amount has been recorded as Active Earnings.

Capital Management

The Group issued a total of $75.0 million in unsecured subordinated corporate bonds during the period with a fixed term of 5 years to help fund the Group's growth. Proceeds from the bond issue have been fully deployed and applications included the takeover of 360 Capital Diversified Fund for $21.2m, strategic stake in ANI for $27.1m, repayment of bank borrowings of $15.8m, acquisition of TOF units for $4.8m, seed capital for new Retail Fund of $3.9m, acquisition of Subiaco Trust units of $0.3 million and bond issue costs of $1.9 million.

As at 31 December 2014, the Group's balance sheet was geared to 26.0% with a look through gearing of 44.0%. Under the bond covenants, the Group must maintain look through gearing of less than 55%.

Of the Group's $14.5 million in cash as at 31 December 2014, $9.1 million is available for investment and the balance for AFSL purposes. The Group has an undrawn senior debt facility with approximately of $19.5 million available and is expecting to receive $10.0 million to $15.0 million from the wind up of unlisted funds following assets sales in the next six months (Centuria managed funds and Canberra Trust).

Furthermore, the settlement of Hurstville will provide a further approximately $39.0 million of cash in September 2015 over and above rent and deposits taken from the sale already.

As outlined above under co-investments, the Group is investigating options to recycle part of its $45.9 million in co-investments in 360 Capital managed unlisted funds over the next 12-18 months.

In summary, over the next 18 months the Group is expected to have access to cash reserves of more than $100.0 million, providing significant capital to continue to grow the Group and maintain its capital light strategy.

Summary and Outlook

The Group has now implemented its business plan to become a pure funds management and co-investor group, with the disposal of the Hurstville investment property contracted and due to settle in September 2015.

The Group will continue to maintain its "capital light" strategy, opting to grow earnings and distributions per security in excess of its peers from a tight capital base. 360 Capital remains focused, disciplined in its investment approach with an unchanged business plan.

Dividends and distributions

The Company did not declare any dividends during the half year or up to the date of this report (31 December 2013: Nil).

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

	31 December 2014 $'000	31 December 2013 $'000
1.25 cents per stapled security paid on 24 October 2013 (unfranked)	-	3,096
1.25 cents per stapled security paid on 28 January 2014 (unfranked)	-	3,109
1.3125 cents per stapled security paid on 24 October 2014 (unfranked)	3,264	-
1.479 cents per stapled security paid on 27 January 2015 (unfranked)	3,679	-
	6,943	6,205

Significant changes in state of affairs

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

Likely developments and expected results of operations

The Group continues to focus on rolling out its business plan to become a pure funds management and co-investor group. The Group remains well capitalised and will continue to maintain a "capital light" strategy, opting to grow earnings and distributions per Security in excess of its peers from this tight capital base.

Events subsequent to balance date

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

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 11 and forms part of the Directors' report for the half year ended 31 December 2014.

Rounding of amounts

360 Capital Group is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Class Order, amounts in the interim financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Tony Robert Pitt
Director

Graham Ephraim Lenzner
Director

Sydney
25 February 2015

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

In relation to our audit of the financial report of 360 Capital Group Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
25 February 2015

360 Capital Group

Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Revenue from continuing operations			
Rental from investment properties		12,882	8,367
Funds management fees		2,389	3,342
Distributions from property funds		4,728	1,002
Finance revenue		370	1,516
Total revenue from continuing operations		20,369	14,227
Other income			
Gain on bargain purchase	14	287	9,321
Net gain on fair value of financial assets		9,965	5,425
Net gain on fair value of derivative financial instruments		-	105
Net gain on fair value of investment properties	10	9,073	-
Reversal of impairment of equity accounted investment	9	-	600
Other income		2	1,631
Total other income		19,327	17,082
Total revenue from continuing operations and other income		39,696	31,309
Investment property expenses		3,520	2,036
Employee benefit expenses		3,100	1,565
Administration expenses		1,109	1,087
Depreciation expenses		9	5
Finance expenses	3	4,203	1,497
Business combination transaction expenses		-	791
Net loss on fair value of investment properties		-	5,419
Net loss on fair value of derivative financial instruments		671	-
Net loss on sale of investment properties		4	119
Profit from continuing operations before income tax		27,080	18,790
Income tax expense	5	1,220	2,068
Profit for the half year		25,860	16,722

360 Capital Group
Consolidated interim statement of profit or loss and other comprehensive income
For the half year ended 31 December 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Profit for the half year		25,860	16,722
Other comprehensive income for the half year		-	-
Total comprehensive income for the half year		25,860	16,722
Total comprehensive income attributable to:			
Shareholders of 360 Capital Group Limited		(1,336)	14,523
Unitholders of 360 Capital Investment Trust		23,269	816
Profit after tax attributable to the stapled securityholders		21,933	15,339
External non-controlling interests		3,927	1,383
Profit for the half year		25,860	16,722

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital Group		**Cents**	**Cents**
Basic earnings per security	4	9.7	9.9
Diluted earnings per security	4	8.8	9.2

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

360 Capital Group

Consolidated interim statement of financial position

As at 31 December 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
Current assets			
Cash and cash equivalents		16,606	16,881
Receivables		8,861	3,247
Financial assets at fair value through profit or loss	7	2,136	3,364
Assets held for sale	8	47,000	4,300
Other current assets		576	635
Total current assets		75,179	28,427
Non-current assets			
Receivables		231	956
Financial assets at fair value through profit or loss	7	128,922	89,461
Investments accounted for using the equity method	9	1,400	1,400
Investment properties	10	194,500	203,000
Intangible assets		5,000	5,000
Property, plant and equipment		32	33
Deferred tax assets		659	592
Total non-current assets		330,744	300,442
Total assets		405,923	328,869
Current liabilities			
Trade and other payables		5,190	3,369
Borrowings	11	10,514	15,257
Derivative financial instruments		236	14
Distribution payable		3,678	3,448
Provisions		1,617	97
Other current liabilities		7,045	2,013
Total current liabilities		28,280	24,198
Non-current liabilities			
Borrowings	11	154,425	87,115
Derivative financial instruments		853	358
Deferred tax liabilities		107	325
Provisions		23	20
Total non-current liabilities		155,408	87,818
Total liabilities		183,688	112,016
Net assets		222,235	216,853

360 Capital Group

Consolidated interim statement of financial position

As at 31 December 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
Equity			
Issued capital - ordinary shares	12	7,386	7,386
Issued capital - trust units	12	167,815	167,815
Security based payments reserve	12	2,563	1,604
Accumulated losses		(13,716)	(34,184)
Total equity attributable to stapled Securityholders		164,048	142,621
External non-controlling interest		58,187	74,232
Total equity		222,235	216,853

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

360 Capital Group
Consolidated interim statement of changes in equity
For the half year ended 31 December 2014

	Note	Issued capital - ordinary shares $'000	Issued capital - trust units $'000	Security based payments reserve $'000	Accumulated losses $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2014		7,386	167,815	1,604	(34,184)	142,621	74,232	216,853
Total comprehensive income for the half year		-	-	-	21,933	21,933	3,927	25,860
Acquisition of external non-controlling interest	17	-	-	-	5,478	5,478	(26,678)	(21,200)
Recognition of external non-controlling interest	14	-	-	-	-	-	9,316	9,316
Transactions with Securityholders in their capacity as Securityholders								
Issued shares/units - Employee securities plan	12	-	-	346	-	346	-	346
Issued shares/units - Redeemed		-	-	-	-	-	(6)	(6)
Dividends/distributions	2	-	-	613	(6,943)	(6,330)	(2,604)	(8,934)
Balance at 31 December 2014		7,386	167,815	2,563	(13,716)	164,048	58,187	222,235
Balance at 1 July 2013		(3,092)	97,688	-	(44,734)	49,862	-	49,862
Total comprehensive income for the half year		-	-	-	15,339	15,339	1,383	16,722
Acquisition of external non-controlling interest		-	-	-	-	-	74,473	74,473
Transactions with Securityholders in their capacity as Securityholders								
Issued shares/units - Institutional equity raising	12	9,204	61,596	-	-	70,800	-	70,800
Issued shares/units - Scrip-for-scrip	12	1,834	12,277	-	-	14,111	-	14,111
Issued shares/units - Employee securities plan		-	-	172	-	172	-	172
Issued shares/units - Redeemed		-	-	-	-	-	(3)	(3)
Equity raising transaction costs	12	(560)	(3,746)	-	-	(4,306)	-	(4,306)
Dividends/distributions	2	-	-	537	(6,205)	(5,668)	(1,387)	(7,055)
Balance at 31 December 2013		7,386	167,815	709	(35,600)	140,310	74,466	214,776

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

360 Capital Group
Consolidated interim statement of cash flows
For the half year ended 31 December 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Cash flows from operating activities			
Cash receipts from customers		17,915	11,472
Cash payments to suppliers and employees		(8,830)	(6,817)
Dividends and distributions received		3,529	985
Finance revenue		369	142
Finance expenses		(2,660)	(1,933)
Net cash inflows from operating activities		**10,323**	**3,849**
Cash flows from investing activities			
Payments for investment properties		(855)	(495)
Proceeds from disposal of investment properties		8,901	4,726
Payments for property, plant and equipment		(8)	(3)
Payments for financial assets		(37,424)	(652)
Proceeds from disposal of financial assets		1,669	-
Payments for other financial assets		-	(22,630)
Proceeds from disposal of other financial assets		-	4
Payments for subsidiaries - net of cash acquired	14	(1,750)	(23,168)
Payments for external non-controlling interest		(21,200)	-
Payment of transaction costs to acquire subsidiaries		-	(791)
Net cash outflows from investing activities		**(50,667)**	**(43,009)**
Cash flows from financing activities			
Proceeds from borrowings		76,018	20,870
Repayment of borrowings		(25,000)	(29,467)
Payments for borrowing costs		(2,201)	-
Proceeds from issue of capital		-	70,800
Payment of transaction costs to issue capital		-	(4,306)
Distributions paid to stapled securityholders		(5,810)	(3,688)
Distributions paid to external non-controlling interests		(2,932)	(1,543)
Redemption of units from external non-controlling interests		(6)	(3)
Capital return to external non-controlling interests		-	(5,840)
Net cash inflows from financing activities		**40,069**	**46,823**
Net (decrease) increase in cash and cash equivalents		(275)	7,663
Cash and cash equivalents at the beginning of the half year		16,881	7,516
Cash and cash equivalents at the end of the half year		**16,606**	**15,179**

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

Note 1: Statement of significant accounting policies

a) Reporting entity

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

The interim financial report does not include all of the notes and information required for a full annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by 360 Capital Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the 360 Capital Group as at and for the year ended 30 June 2014 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia or at www.360capital.com.au.

Where accounting policies have changed, comparative financial information of the Group has been revised.

The accounting policies adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

As a result of new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2014, the Group has changed some of its accounting policies. The affected policies and standards are:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities;
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets;
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities;
- AASB 2014-1 Amendment to Australian Accounting Standards - 2010-2012 Cycle; and
- AASB 2014-1 Amendment to Australian Accounting Standards - 2011-2013 Cycle.

For the financial period, the adoption of these amended standards has no material impact on the financial statements of the Group.

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 31 December 2014. 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 and interpretations are as follows:

- AASB 9 - *Financial Instruments* (Effective January 1, 2018). This standard includes requirements to simplify the approach for the classification and measurement of financial assets. The Board is currently assessing the impact on the Group.
- IFRS 15 - *Revenue from Contracts with Customers* (Effective January 1, 2017). This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Board is currently assessing the impact on the Group.

Note 1: Statement of significant accounting policies (continued)

b) Basis of consolidation

Stapling
On 2 October 2013, each ordinary share in 360 Capital Group Limited was stapled to a unit in the 360 Capital Investment Trust and together they form the Stapled Entity known as 360 Capital Group. Equity holders of the Group are entitled to an equal interest in each stapled entity.

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

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

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

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

Note 2: Distributions and dividends

The Company did not declare any dividends during the half year or up to the date of this report (31 December 2013: Nil). Distributions declared by 360 Capital Investment Trust directly to Securityholders during the half year were as follows:

	31 December 2014 $'000	31 December 2013 $'000
1.25 cents per stapled security paid on 24 October 2013 (unfranked)	-	3,096
1.25 cents per stapled security paid on 28 January 2014 (unfranked)	-	3,109
1.3125 cents per stapled security paid on 24 October 2014 (unfranked)	3,264	-
1.479 cents per stapled security paid on 27 January 2015 (unfranked)	3,679	-
	6,943	6,205

Note 3: Finance expenses

	31 December 2014 $'000	31 December 2013 $'000
Interest and finance charges paid and payable	3,838	1,191
Borrowing cost amortisation	365	306
	4,203	1,497

Note 4: Earnings per stapled security

	31 December 2014 ¢	31 December 2013 ¢
Basic earnings per stapled security	9.7	9.9
Diluted earnings per stapled security	8.8	9.2

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital Group used in calculating earnings per stapled security	21,933	15,339

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities - basic	226,733	155,274
Weighted average number of stapled securities - diluted	248,703	165,976

Note 4: Earnings per stapled security (continued)

Dilution

During the prior year 21,970,000 securities were granted to employees under the 360 Capital Group ESP. The issue price per security was $0.59 which was equal to the price per security in the $70.8 million Institutional Capital Raising completed in October 2013. The grant of the securities is subject to a 3 year Total Securityholder Return target.

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.

Further information on the ESP is provided in Note 12.

Note 5: Income tax expense

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

	31 December 2014 $'000	31 December 2013 $'000
Profit before tax attributable to stapled securityholders	23,153	15,339
Income tax expense at the corporate rate of 30%	6,946	4,602
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(6,981)	(245)
Exit fee income realised from controlled entities taxable	1,017	-
Gain on bargain purchase exempt from income tax	-	(2,479)
Employee Security Plan interest income taxable	184	161
Security based payments expense non tax deductible	104	52
Other tax adjustments	(50)	(23)
Income tax expense recognised in the statement of profit or loss	1,220	2,068

Following the acquisition of 360 Capital Property Group, management has recognised tax losses and timing differences resulting from the acquisition. In addition, the 360 Capital Group Limited tax group has carried forward revenue tax losses of $6.3 million and carried forward capital tax losses of $10.6 million that have not been recognised as deferred tax assets.

Whilst deductible tax losses do not expire under current tax legislation, the continuity of ownership test or same business test need to be satisfied for tax losses to be utilised.

Note 6: Segment reporting

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

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

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

1) Funds Management - utilising the Group's management expertise to generate fee revenue through the creation and management of real estate funds
2) Co-investment - aligning interest of the Group with underlying fund investors and providing income through distributions and capital growth in equity values
3) Direct asset investment - delivering stable rental cash flows, improved through active management by the Group

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

Consolidation and eliminations
Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from managed funds deemed to be controlled under AASB 10, being material non-controlling interests (refer to Note 17). The performance of these managed funds, which are operated as externally managed investment schemes, 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 6: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2014 are as follows:

Half year ended 31 December 2014	Co-investment funds	Direct asset investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	-	2,996	-	2,996	(607)	2,389
Net property income	-	3,457	-	-	3,457	6,269	9,726
Co-investment revenue	5,792	-	-	-	5,792	(1,064)	4,728
Finance revenue	27	-	-	-	27	(27)	-
Other income	-	-	-	2	2	-	2
Total revenue and other income	**5,819**	**3,457**	**2,996**	**2**	**12,274**	**4,571**	**16,845**
Operating expenses	36	138	2,490	937	3,601	233	3,834
Earnings before interest and tax (EBIT)	5,783	3,319	506	(935)	8,673	4,338	13,011
Net interest expense	(3)	167	(125)	1,625	1,664	2,170	3,834
Operating profit before tax	5,786	3,152	631	(2,560)	7,009	2,168	9,177
Income tax expense	-	-	-	36	36	-	36
Operating profit (before specific non-cash and significant items)	**5,786**	**3,152**	**631**	**(2,596)**	**6,973**	**2,168**	**9,141**

Weighted average number of securities - basic ('000)	226,733
Operating profit per security (before specific non-cash and significant items) (EPS) - cents	**3.1**

Number of securities for distribution per security (DPS) ('000)	248,703
DPS - cents	**2.792**

Note 6: Segment reporting (continued)

The operating segments provided to the Board for the reportable segments for the half year ended 31 December 2013 are as follows:

Half year ended 31 December 2013	Co-investment funds	Direct asset investment	Funds management	Corporate	Total core	Consolidation & eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Management fee revenue	-	-	1,866	-	1,866	(509)	1,357
Net property income	-	3,644	-	-	3,644	3,302	6,946
Co-investment revenue	1,038	-	-	-	1,038	(36)	1,002
Finance revenue	1,353	-	-	-	1,353	-	1,353
Total revenue and other income	**2,391**	**3,644**	**1,866**	**-**	**7,901**	**2,757**	**10,658**
Operating expenses	33	41	1,920	83	2,077	407	2,484
Earnings before interest and tax (EBIT)	2,358	3,603	(54)	(83)	5,824	2,350	8,174
Net interest expense	(99)	202	(61)	(44)	(2)	1,336	1,334
Operating profit before tax	2,457	3,401	7	(39)	5,826	1,014	6,840
Income tax expense	-	-	-	36	36	(8)	28
Operating profit (before specific non-cash and significant items)	**2,457**	**3,401**	**7**	**(75)**	**5,790**	**1,022**	**6,812**

Weighted average number of securities - basic ('000)	155,274
Operating profit per security (before specific non-cash and significant items) (EPS) - cents	**3.7**

Number of securities for distribution per security (DPS) ('000)	248,703
DPS - cents	**2.50**

Note 6: Segment reporting (continued)

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

	Total core 31 December 2014 $'000	Total core 31 December 2013 $'000	Total 31 December 2014 $'000	Total 31 December 2013 $'000
Profit after tax attributable to stapled securityholders	**21,933**	**15,339**		
Profit for the half year			**25,860**	**16,722**
Specific non-cash items				
Net (gain)/loss on fair value of investment properties	(8,250)	5,773	(9,073)	5,538
Net gain on fair value of financial assets	(8,354)	(6,697)	(9,965)	(5,425)
Net (gain)/loss on fair value of derivative financial instruments	(10)	-	671	(105)
Reversal of impairment of investments accounted for using the equity method	-	(600)	-	(600)
Security based payments expense	346	173	346	173
Straight-lining of lease revenue and incentives	365	277	365	584
Significant items				
Other	46	-	40	(1,600)
Gain on bargain purchase	(287)	(9,321)	(287)	(9,321)
Business combination transaction expenses	-	791	-	791
Write back of provision of management fee income from property funds	-	(1,985)	-	(1,985)
Tax effect				
Tax effect of specific non-cash items and significant items	1,184	2,040	1,184	2,040
Operating profit (before specific non-cash items and significant items)	**6,973**	**5,790**	**9,141**	**6,812**

Note 6: Segment reporting (continued)

As at 31 December 2014	Co-investment funds $'000	Direct asset investment $'000	Funds management $'000	Corporate $'000	Total core $'000	Consolidation & eliminations $'000	Total $'000
Assets							
Cash and cash equivalents	-	-	8,850	5,897	14,747	1,859	16,606
Financial assets at fair value through the profit or loss	173,374	-	-	-	173,374	(42,316)	131,058
Investment properties	-	-	-	-	-	194,500	194,500
Assets held for sale	-	47,000	-	-	47,000	-	47,000
Other assets and intangibles	6,674	64	6,894	2,733	16,365	394	16,759
Total assets	**180,048**	**47,064**	**15,744**	**8,630**	**251,486**	**154,437**	**405,923**
Liabilities							
Borrowings	-	-	-	72,770	72,770	92,169	164,939
Other liabilities	4	5,852	570	8,242	14,668	4,081	18,749
Total liabilities	**4**	**5,852**	**570**	**81,012**	**87,438**	**96,250**	**183,688**
Net assets	**180,044**	**41,212**	**15,174**	**(72,382)**	**164,048**	**58,187**	**222,235**
As at 30 June 2014							
Assets							
Cash and cash equivalents	-	-	5,249	9,137	14,386	2,495	16,881
Investment properties	-	38,500	-	-	38,500	164,500	203,000
Assets held for sale	-	4,300	-	-	4,300	-	4,300
Financial assets at fair value through the profit or loss	100,292	-	-	-	100,292	(7,467)	92,825
Other assets and intangibles	2,261	445	11,442	2,284	16,432	(4,569)	11,863
Total assets	**102,553**	**43,245**	**16,691**	**11,421**	**173,910**	**154,959**	**328,869**
Liabilities							
Borrowings	-	25,000	-	-	25,000	77,372	102,372
Other liabilities	24	1,231	1,624	3,410	6,289	3,355	9,644
Total liabilities	**24**	**26,231**	**1,624**	**3,410**	**31,289**	**80,727**	**112,016**
Net assets	**102,529**	**17,014**	**15,067**	**8,011**	**142,621**	**74,232**	**216,853**

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

	31 December 2014 $'000	30 June 2014 $'000
Current		
Units in unlisted funds managed by Group subsidiaries	2,136	3,364
	2,136	3,364
Non-current		
Units in listed funds managed by Group subsidiaries	81,679	70,640
Units in unlisted funds managed by Group subsidiaries	3,585	6,593
Units in listed funds managed externally	27,184	-
Units in unlisted funds managed externally	16,474	12,228
	128,922	89,461
Total	131,058	92,825

The Group holds investments in the following managed investment schemes:

	31 December 2014 %	30 June 2014 %	31 December 2014 $'000	30 June 2014 $'000
Current				
360 Capital Canberra Trust	21.73%	21.73%	2,136	3,364
			2,136	3,364
Non-current				
360 Capital Industrial Fund (ASX: TIX)	12.04%	15.75%	36,829	32,148
360 Capital Office Fund (ASX: TOF)	28.17%	25.02%	44,850	38,492
360 Capital Havelock House Property Trust	26.68%	26.68%	3,044	3,048
360 Capital Subiaco Square Property Trust	-	24.08%	-	3,545
360 Capital AREIT Fund	71.51%	-	540	-
Australian Industrial REIT (ASX: ANI)	12.89%	-	27,184	-
Centuria Diversified Direct Property Fund	19.90%	19.31%	16,467	12,184
Centuria Office Fund No.2	1.20%	1.20%	8	44
			128,922	89,461
Total			131,058	92,825

The 360 Capital Industrial Fund, 360 Capital Office Fund and Australian Industrial REIT are listed on the ASX. All other investments are unlisted.

Investments held in Australian Industrial REIT, Centuria Diversified Direct Property Fund and Centuria Office Fund No. 2 are managed externally.

During the half year the Group made a $27.1 million investment in the Australian Industrial REIT (ASX: ANI). The Group also increased its investment in the 360 Capital Subiaco Square Shopping Centre Property Trust from 24.08% to 39.79%. As a result of the increased investment, the 360 Capital Subiaco Square Shopping Centre Property Trust has been consolidated into the financial statements of the Group. Refer to Note 14 for further information.

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

Certain funds in which the Group invests are due for review within the next 12 months and have therefore been classified as current assets. This includes the 360 Capital Canberra Trust. On 25 August 2014 the unitholders voted in favour of not extending the life of the Trust beyond December 2014 and the Responsible Entity has commenced the disposal process of assets to allow the Trust to be wound up.

The Group has elected to measure these investments at fair value through profit or loss as allowed under paragraph 18 of AASB 128 *Investments in Associates and Joint Ventures*.

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

	31 December 2014 $'000	30 June 2014 $'000
Balance at 1 July	92,825	-
Financial assets acquired - Through the acquisition of 360 Capital Property Group	-	53,325
Financial assets acquired - Initial Public Offering	-	38,707
Financial assets acquired - Distribution Reinvestment Plan	692	652
Financial assets acquired - Other	35,144	2,872
Financial assets disposed	(1,699)	(6,004)
Financial assets consolidated into financial statements (refer to Note 14)	(5,869)	-
Fair value adjustment of financial assets	9,965	3,273
Closing balance	131,058	92,825

Note 8: Assets held for sale

	31 December 2014 $'000	30 June 2014 $'000
Investment property		
158 Hume Street, Goulburn NSW	-	4,300
12-22 Woniora Road, Hurstville NSW	47,000	-
	47,000	4,300
Less: Deferred rent receivable	(3,150)	-
	43,850	4,300

On 30 October 2014 the Group entered into an unconditional sale contract to dispose of 12-22 Woniora Road, Hurstville NSW for a gross sale price of $47.0 million. Settlement is expected prior to September 2015.

In the prior year 158 Hume Street, Goulburn NSW was subject to an exchanged sales contract for $4.3 million. The property settled on 13 August 2014. The net loss on sale was $3,876.

Note 8: Assets held for sale (continued)

A reconciliation of the movements in assets held for sale during the half year is set out below:

	31 December 2014 $'000	30 June 2014 $'000
Balance at 1 July	4,300	9,583
Reclassification from investment properties (refer to Note 10)	47,000	-
Fair value adjustment of assets held for sale	-	(450)
Sale of asset held for sale	(4,300)	(4,833)
Closing balance	47,000	4,300

Note 9: Investments accounted for using the equity method

	31 December 2014 %	30 June 2014 %	31 December 2014 $'000	30 June 2014 $'000
Partnership interest				
Renewing Homebush Bay Partnership	50.0	50.0	1,400	1,400

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. Practical completion of the project was achieved in the 2013 financial year and all sales have settled.

On 24 April 2013 a legal claim was lodged with the Federal Court against the Rhodes Joint Venture alleging Breach of Contract with respect to the sale of a Super Land Lot. Initial hearings and arbitration have been held with no resolution.

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

	31 December 2014 $'000	30 June 2014 $'000
Balance at 1 July	1,400	800
Reversal of prior period impairments	-	600
Closing balance	1,400	1,400

The reversal of prior year impairments was due to reforecasting of costs and claims associated with the development works undertaken.

Note 10: Investment properties

		Book value		Capitalisation rate		Discount rate			
	Date of acquisition	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 %	30 Jun 2014 %	31 Dec 2014 %	30 Jun 2014 %	Last external valuation	Valuation $'000
12-22 Woniora Road, Hurstville NSW	20-Jul-05	-	38,500	-	9.25	-	10.25	Dec-13	38,500
111 St George's Terrace, Perth WA	2-Oct-13	137,750	137,000	8.50	8.50	10.00	10.00	Jun-14	137,000
441 Murray Street, Perth WA	2-Oct-13	27,750	27,500	9.50	9.50	10.25	10.25	Jun-13	27,500
Subiaco Square Shopping Centre, Perth WA	1-Nov-14	29,000	-	7.50	7.50	9.00	9.00	Jun-14	29,000
Investment properties		194,500	203,000						
Less: lease income receivable and incentives		(6,291)	(6,003)						
		188,209	196,997						

<u>12-22 Woniora Road, Hurstville NSW - (360 Capital Investment Trust)</u>
The Group owns this property which is a 5 star NABERS rated office building located in Hurstville, approximately 50 metres from the railway station. Hurstville is a regional metropolitan centre in the middle of Sydney's South Western suburbs approximately 20 kilometres from Sydney's CBD. The property comprises a ground floor and five upper levels of office accommodation. Parking is provided over three basement levels. On 30 October 2014 the Group entered into an unconditional sale contract to dispose of the property for a gross sale price of $47.0 million. The property has been reclassified to assets held for sale (refer to Note 8) during the half year.

<u>111 St George's Terrace, Perth WA - (360 Capital 111 St George's Terrace Property Trust)</u>
A controlled entity of the Group (refer to Note 17) owns this property which is a landmark building on the corner of William Street and St George's Terrace in the heart of Perth WA. The property comprises 19 upper floors of office space, ground floor lobby and retail and basement car park.

<u>441 Murray Street, Perth WA - (360 Capital 441 Murray Street Property Trust)</u>
A controlled entity of the Group owns this property which is located in the burgeoning 'West End' of the Perth Business district. The property is within walking distance to the main commercial address of St George's Terrace and the Murray and Hay Street retail shopping precincts.

<u>Subiaco Square Shopping Centre, Perth WA - (360 Capital Subiaco Square Shopping Centre Property Trust)</u>
A controlled entity of the Group (refer to Note 17) owns this property which is located in Subiaco. The property comprises a modern neighbourhood shopping centre with a net lettable area of 6,481 SqM.

Note 10: Investment properties (continued)

	31 December 2014 $'000	30 June 2014 $'000
Balance at 1 July	203,000	44,000
Payments for capital additions, incentives and leasing fees	1,319	1,049
Investment properties acquired through the acquisition of 360 Capital Property Group	-	163,262
Investment properties consolidated into financial statements (refer to Note 14)	29,000	-
Reclassification to assets held for sale (refer to Note 8)	(47,000)	-
Straight-lining of lease revenue and incentives	(892)	(494)
Fair value adjustment of investment properties	5,923	(4,817)
Fair value adjustment of investment properties - Deferred rent receivable	3,150	-
Closing balance	194,500	203,000

a) Valuation basis

Investment properties are carried at fair value. Fair value of the properties is determined by the Directors, having regard to 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. Valuations are undertaken in accordance with the Australian Property Institute Professional Practice Standard and the International Valuation Standard Committee Guidelines.

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 relative to returns from alternative investments, CPI rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at terminal value. The terminal value is determined by using an appropriate capitalisation rate.

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

b) Sensitivity Matrix

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

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note 13 for further information.

Note 10: Investment properties (continued)

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

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

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

Note 11: Borrowings

	31 December 2014 $'000	30 June 2014 $'000
Current		
Borrowings - secured	10,525	15,288
Capitalised borrowing costs	(11)	(31)
	10,514	15,257
Non-current		
Borrowings - secured	82,293	87,807
Borrowings - unsecured	75,000	-
Capitalised borrowing costs	(2,868)	(692)
	154,425	87,115
Borrowings - secured		
Total facility limit	197,000	109,000
Used at end of reporting date	167,818	103,095
Unused at end of reporting date	29,182	5,905

a) Loan facilities summary

Unsecured note issue - (360 Capital Investment Trust)
During the half year the Group raised $75.0 million through the issue of five year, fixed rate unsecured notes. The fixed rate of the notes is 6.9% per annum. The note funds were used to fund the acquisition of 360 Capital Diversified Property Fund, underwrite future unlisted trust offerings, reduce the NAB loan facility balance and for general working capital purposes.

National Australia Bank facility - (360 Capital Investment Trust)
The Group has a loan facility with National Australia Bank ("NAB"). During the half year the $25 million loan balance was repaid and the facility limit reduced to $20.0 million. The facility is undrawn at balance date and expires in September 2015. The facility is secured by a mortgage in favour of NAB over 12-22 Woniora Road, Hurstville NSW (refer to Note 10) and a fixed and floating charge over the assets of the wholly owned entities within the Group. The Group has an interest rate commercial hedge covering $15.0 million of the facility at a rate of 2.77% (exclusive of the underlying margin). The interest rate hedge expires in February 2015.

Note 11: Borrowings (continued)

Bank of Western Australia facility - (360 Capital 111 St George's Terrace Property Trust)
A controlled entity of the Group (refer to Note 17) has a loan facility with Bank of Western Australia ("Bankwest"). The $74.0 million facility is drawn to $68.6 million and expires in June 2019. The Group has an interest rate commercial hedge covering $65.0 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in January 2017. The facility is secured by a mortgage in favour of Bankwest over 111 St Georges Terrace, Perth WA (refer to Note 10).

Bank of Western Australia facility - (441 Murray Street Property Trust)
A controlled entity of the Group has a loan facility with Bankwest. The $13.0 million facility is drawn to $10.5 million and expires in June 2015. The Group has an interest rate commercial hedge covering $9.5 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in May 2016. The facility is secured by a mortgage in favour of Bankwest over 441 Murray Street, Perth WA (refer to Note 10).

Bank of Western Australia facility - (360 Capital Subiaco Square Shopping Centre Property Trust)
A controlled entity of the Group (refer to Note 17) has a loan facility with Bankwest. The $15.0 million facility is drawn to $13.7 million and expires in December 2018. The Group has an interest rate commercial hedge covering $13.7 million of the facility at a rate of 3.0% (exclusive of the underlying margin). The interest rate hedge expires in November 2017. The facility is secured by a mortgage in favour of Bankwest over Subiaco Square Shopping Centre, Perth WA (refer to Note 10).

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

Note 12: Equity

(a) Issued capital

	31 December 2014 000's	30 June 2014 000's
360 Capital Group Limited - Ordinary shares issued	226,733	226,733
360 Capital Investment Trust - Ordinary units issued	226,733	226,733

	$'000	$'000
360 Capital Group Limited - Ordinary shares issued	7,386	7,386
360 Capital Investment Trust - Ordinary units issued	167,815	167,815
Total issued capital	175,201	175,201

Note 12: Equity (continued)

(b) Movements in issued capital

Movement during the half year in the number of issued securities of the Group was as follows:

	31 December 2014 000's	30 June 2014 000's
Opening balance at 1 July	226,733	85,352
Institutional capital raising - 2 October 2013	-	120,000
Scrip for scrip offer - 2 October 2013	-	21,381
Closing balance	226,733	226,733

Movement during the half year in the value of issued securities of the Group was as follows:

	31 December 2014 $'000	30 June 2014 $'000
Opening balance at 1 July	175,201	94,596
Institutional capital raising - 2 October 2013	-	70,800
Scrip for scrip offer - 2 October 2013	-	14,111
Transaction costs incurred in issuing capital	-	(4,306)
Closing balance	175,201	175,201

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

	31 December 2014 000's	30 June 2014 000's
Total ordinary securities disclosed	226,733	226,733
Issued capital on 2 October 2013 - Employee security plan	20,970	20,970
Issued capital on 1 November 2013 - Employee security plan	1,000	1,000
Total securities issued on the ASX	248,703	248,703

Note 12: Equity (continued)

(c) Employee Security Plan

During the prior year 21,970,000 securities were granted to employees under the 360 Capital Group ESP. The issue price per security was $0.59 which was equal to the price per security in the $70.8 million Institutional Capital Raising completed in October 2013. The grant of the securities is subject to a 3 year Total Securityholder return target.

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 securities vest if the Group's Total Securityholder Return (TSR) over a 3 year period achieves the following:

Absolute TSR Achieved (% pa)	Proportion of Target Award Vesting
15%	100%
>10% and <15%	Pro Rata Allocation
10%	50%
<10%	0%

The fair value of the issue of securities under the ESP at grant date is estimated using a binominal pricing model, taking into account the terms and conditions upon which the securities were granted and the following key assumptions:

Valuation Date:	2 October 2013
Security Price:	$0.66
Risk Free Rate:	2.84%
Dividend Yield:	7.5%
Volatility:	30%
Initial TSR:	11.9%
Exercise price:	$0.59

As the Group was transformed following the acquisition of 360 Capital Property Group, a volatility estimate could not be obtained from analysing historic data. Volatility was determined by analysing comparable companies with similar principal activities.

The grant date fair value of the securities issued under the ESP was $0.0998 per security. For the half year ended 31 December 2014, the Group has recognised $0.35 million (31 December 2013: $0.17 million) of security based payment expense in the statement of profit or loss.

Note 13: Financial instruments

Fair values
Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2014:

	Carrying amount		Fair value	
	31 December 2014 $'000	30 June 2014 $'000	31 December 2014 $'000	30 June 2014 $'000
Financial assets				
Receivables	231	956	231	956
Financial assets at fair value through profit or loss	128,922	89,461	128,922	89,461
Total non-current	129,153	90,417	129,153	90,417
Receivables	8,861	3,247	8,861	3,247
Financial assets at fair value through profit or loss	2,136	3,364	2,136	3,364
Total current	10,997	6,611	10,997	6,611
Total	140,150	97,028	140,150	97,028
Financial liabilities				
Borrowings	154,425	87,115	157,293	87,807
Derivative financial instruments	853	358	853	358
Total non-current	155,278	87,473	158,146	88,165
Trade and other payables	5,190	3,369	5,190	3,369
Borrowings	10,514	15,257	10,525	15,288
Derivative financial instruments	236	14	236	14
Total current	15,940	18,640	15,951	18,671
Total	171,218	106,113	174,097	106,836

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

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

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

Note 13: Financial instruments (continued)

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

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 31 December 2014:				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	131,058	108,863	-	22,195
Financial liabilities measured at fair value				
Derivative financial instruments	1,089	-	1,089	-
As at 30 June 2014:				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	92,825	70,640	-	22,185
Financial liabilities measured at fair value				
Derivative financial instruments	372	-	372	-

During the half year the Group increased its investment in the 360 Capital Subiaco Square Shopping Centre Property Trust from 24.08% to 39.79%. As a result of the increased investment, the 360 Capital Subiaco Square Shopping Centre Property Trust has been consolidated into the financial statements and the investment has been removed from Level 3. Refer to Note 14 for further information.

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

Valuation techniques

Fair value profit or loss financial assets

For fair value profit or loss financial assets, the Group invests in listed and unlisted investments. The value of the investments in the listed market is stated at unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments. Unlisted investments are not traded in an active market and are categorised as Level 3 instruments. 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 10). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates which are estimated to be in the range of 7.5% to 9.5% and discount rates estimated to be between 9.0% and 10.5%. 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.

Note 13: Financial instruments (continued)

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

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

Note 14: Business combinations

Acquisition of 360 Capital Subiaco Square Shopping Centre Property Trust

Summary of acquisition
During October 2014 the Group increased its investment in the 360 Capital Subiaco Square Shopping Centre Property Trust from 24.08% to 39.79%. As a result of the increase in ownership, the Group's role as Responsible Entity of the trust and relative dispersion of the remaining interests not held by the Group, the Group is deemed under AASB10 Consolidated Financial Statements to control the Trust. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of 360 Capital Subiaco Square Shopping Centre Property Trust from 1 November 2014.

	$'000
Carrying value of existing investment	3,544
Cash paid - Acquisitions made in October 2014	2,325
Total purchase consideration	5,869

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

	$'000
Assets	
Cash and cash equivalents	575
Receivables	206
Investment properties	29,000
Liabilities	
Trade and other payables	(565)
Borrowings	(13,698)
Derivative financial instruments	(46)
Net identifiable assets acquired including external non-controlling interest	15,472
Less: External non-controlling interest	(9,316)
Net identifiable assets acquired excluding external non-controlling interest	6,156
Less: Gain on bargain purchase	(287)
Total purchase consideration	5,869

Note 14: Business combinations (continued)

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

A bargain on purchase of 360 Capital Subiaco Square Shopping Centre Property Trust of $0.3 million has been recognised as income in the consolidated statement of profit or loss for the half year. The bargain represents the difference between total purchase consideration and net identifiable assets acquired. The gain on bargain purchase reflects the liquidity discount the Group included when calculating the purchase price of units from existing unitholders.

Revenue and profit contribution
The acquired business contributed revenues of $0.4 million and net loss after tax of $0.03 million to the Group from 1 November 2014 to 31 December 2014.

If the acquisition had occurred on 1 July 2014, consolidated total revenue from continuing operations and the consolidated net profit after tax of the acquired business for the half year ended 31 December 2014 would have been $1.7 million and $0.3 million respectively. These amounts have been calculated using the Group's accounting policies.

Contingent consideration
There is no contingent consideration as part of this transaction.

Purchase consideration - cash outflow on acquisition

	$'000
Cash consideration paid	2,325
Less: Cash and cash equivalents acquired	(575)
Outflow of cash to acquire subsidiary - including external non-controlling interest cash	1,750
Add: Direct costs relating to the acquisition	-
Total cash outflow to acquire subsidiary	1,750

Acquisition related costs
No acquisition related costs were incurred.

Acquisition of 360 Capital Property Group

Prior Year Restatement - Gain on Bargain Purchase
The gain on bargain purchase on the acquisition of 360 Capital Property Group in the prior year has been restated due to the recognition of an intangible of $5.0 million in June 2014, reflecting the value of the funds management rights acquired following the acquisition of 360 Capital Property Group. This value has been updated from the provisional value of Nil initially and reflects greater certainty in assessing the value of the rights resulting from an internal review of operating costs, external benchmarking and transactional evidence.

Note 15: Capital commitments and contingencies

Capital commitments
At 31 December 2014 the Group had no capital commitments (30 June 2014: no capital commitments) relating to the purchase of property, plant and equipment.

Contingencies
On 24 April 2013 a legal claim was lodged with the Federal Court against the Rhodes Joint Venture alleging Breach of Contract with respect to the sale of a Super Land Lot. Initial hearings and arbitration have been held with no resolution.

There are no other contingent liabilities as at 31 December 2014.

Note 16: Related party transactions

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

Acquisition of 360 Capital Diversified Property Fund
On 19 September 2014 the Group acquired 100% of 360 Capital Diversified Property Fund through a $21.2 million cash offer to non 360 Capital Group unitholders. At the time of the acquisition the Group held 58.9% of 360 Capital Diversified Property Fund and was the Responsible Entity.

The acquisition was approved by unitholders at an extraordinary general meeting held on 8 September 2014 following Independent Expert, BDO Corporate Finance, concluding that the acquisition was fair and reasonable and in the best interest of unitholders not associated with the Group.

Refer to Note 17 for further information.

Exit Fee Conversion - 360 Capital 111 St Georges Terrace Property Trust
On 17 November 2014 a Notice of Meeting was sent to unitholders by the Responsible Entity containing a resolution to be considered by unitholders to extend the term of the Trust to January 2022 and to crystallise and reset the exit fee through the issue of additional units in the Trust to the Group. On 10 December 2014 the unitholders voted for the resolution. Accordingly the Trust paid out the exit fee payable of $3,425,000 through the issue of 910,904 units to the Group.

Exit Fees Conversion - 360 Capital Subiaco Square Shopping Centre Property Trust
On 11 August 2014 a Notice of Meeting was sent to unitholders by the Responsible Entity containing a resolution to be considered by unitholders to extend the term of the Trust to December 2020 and to crystallise and reset the exit fee through the issue of additional units in the Trust to the Group. On 2 October 2014 the unitholders voted for the resolution. Accordingly the Trust paid out the exit fee payable of $725,000 through issue of 414,286 units to the Group.

Note 17: Controlled entities

During the half year the following material transactions occurred with controlled entities:

360 Capital Diversified Property Fund

On 19 September 2014 the Group acquired an additional 41.1% of 360 Capital Diversified Property Fund through a $21.2 million cash offer to non 360 Capital Group unitholders. At the time of the acquisition the Group held 58.9% of 360 Capital Diversified Property Fund and was the Responsible Entity.

Prior to acquiring the Fund, the consolidated financial report included the financial statements of the Fund based on the Group's Material non-controlling interest. The acquisition increased the Group's ownership to 100%.

	$'000
Cash consideration paid to non-controlling interests	21,200
Carrying value of the additional interest	26,678
Value uplift recognised in retained earnings	5,478

360 Capital 111 St Georges Terrace Property Trust

During the half year the Group increased its ownership interest in the 360 Capital 111 St Georges Terrace Property Trust from 41% to 44% as a result of unitholders of the Trust voting to crystallise and reset the exit fee through the issue of additional units in the Trust to the Group. The Trust paid out the exit fee payable of $3,425,000 through the issue of 910,904 units to the Group. Refer to Note 16 for further information.

360 Capital Subiaco Square Shopping Centre Property Trust

During the half year the Group increased its ownership interest in the 360 Capital Subiaco Square Shopping Centre Property Trust from 24.1% to 39.8% as a result of a liquidity option offered by the Group to unitholders and Exit Fee payable being converted to units. An additional 1,070,000 units were acquired from existing unitholders and the Trust paid out the exit fee payable of $725,000 through the issue of 414,286 units to the Group. Refer to Note 16 for further information.

As a result of the increase in ownership, the Group's role as Responsible Entity of the trust and relative dispersion of the remaining interests not held by the Group, the Group is deemed under AASB10 Consolidated Financial Statements to control the Trust. The financial statements of the trust have been consolidated into the Group consolidated financial report from 1 November 2014.

Note 18: Events subsequent to balance date

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

360 Capital Group

Directors' declaration

For the half year ended 31 December 2014

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

1) The consolidated financial statements and notes that are set out on pages 12 to 41 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and

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

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

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

Tony Robert Pitt
Director

Graham Ephraim Lenzner
Director

Sydney
25 February 2015

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To the shareholders of 360 Capital Group Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of 360 Capital Group Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of 360 Capital Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of 360 Capital Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
25 February 2015