



## 360 CAPITAL ACTIVE REIT

(formerly 360 Capital Total Return Active Fund)

### Interim Financial Report For the half year ended 31 December 2019

360 Capital Active REIT comprises 360 Capital Active REIT (ARSN 602 303 613) and its controlled entities.

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

**360 Capital Active REIT**  
**Responsible Entity report**  
**For the half year ended 31 December 2019**

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The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report together with the interim financial report of 360 Capital Active REIT (ARSN 602 303 613) ('the Fund' or 'Active Fund') for the half year ended 31 December 2019.

The Active Fund forms part of the stapled entity, 360 Capital REIT (Stapled Fund) (ASX: TOT) comprising 360 Capital Passive REIT ('Parent Entity' or 'Passive Fund') (ARSN 602 304 432) and its controlled entities and 360 Capital Active REIT and its controlled entities.

**Directors**

The following persons were Directors of 360 Capital FM Limited during the half year 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 Stapled Fund listed on the Australian Stock Exchange (ASX) in April 2015 as a unique, opportunistic fund investing in various forms of Australian real estate assets. On 21 February 2020, securityholders approved an updated strategy for the Stapled Fund.

The Stapled Fund may invest across a wide range of assets within both Australia and New Zealand real estate markets, including;

- repositioning assets
- investing in investment properties
- investing in development projects
- investing in real estate based operating business
- underwriting potential capital raisings including syndicates and both unlisted and listed funds
- strategic positions in unlisted funds
- capitalising on mispriced trading opportunities in listed REIT sector
- participating in mergers and acquisition activities
- participating in special situations within markets including distressed sales, investments with restructuring potential, and providing loans

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**Responsible Entity report**  
**For the half year ended 31 December 2019**

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**Operating and financial review**

**Financial results**

The Fund's statutory net profit attributable to unitholders for the period ended 31 December 2019 was \$6.1 million (December 2018: \$171,381).

The Fund's balance sheet as at 31 December 2019 had total assets of \$87.2 million (June 2019: \$15.3 million).

**Acquisition of URB Investments Limited**

URB Investments Limited (URB) was an ASX listed investment company specialising in investing in small and medium sized companies located within Australia and New Zealand.

The acquisition was implemented through a scheme of arrangement under which each scheme share would be transferred to TOT in exchange for 0.9833 TOT securities for every fully paid scheme share transferred (Scrip consideration).

On 6 November 2019, the resolution to approve the scheme was passed by the requisite majorities of URB shareholders. The TOT stapled units under scrip consideration were issued on 20 December 2019.

The commencement of trading of new TOT securities on ASX was on 23 December 2019.

**Investment in Velocity Property Group**

Velocity Property Group (ASX: VP7)(Velocity) was an ASX listed boutique property development company that develops multi-unit apartment and mixed commercial developments in Queensland.

The Fund through a joint venture investment company TGP TOT JV Pty Limited (JV), acquired 19.99% strategic stake in Velocity for a total of \$1.6 million on 23 December 2019. The carrying value of the Funds 50% interest in the JV was \$1.9 million at balance date. TOT also acquired a \$10.0 million secured convertible note with a term of two years and an interest rate of 7.0% per annum. The convertible note is tradeable and convertible to Velocity shares, subject to various conditions.

**Capital management**

During the half year the Stapled Fund issued 9.14 million stapled units at \$1.18 per unit to institutional investors raising circa \$10.8 million. The allotment of new stapled units was completed on 21 October 2019. The proceeds were allocated to fund the lending activities and replenishing working capital.

The Stapled Fund also issued 64.25 million stapled units under scheme of arrangement in relation to the acquisition of URB. The scheme was implemented on 20 December 2019 and the ASX trading of the new units commenced on 23 December 2019.

No securities were issued under the Distribution Reinvestment Plan (DRP) during the half year of ended 31 December 2019 (December 2018: 1,601,989).

**Dividends and distributions**

The Fund did not declare any distributions during the half year ended 31 December 2019 (December 2018: Nil).

**Debt origination and management joint venture**

The Fund holds a 50% stake in AMF Finance Pty Limited (AMF). AMF originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT. This revenue stream adds to the Fund's active earnings.

**360 Capital Active REIT**  
**Responsible Entity report**  
**For the half year ended 31 December 2019**

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**Number of interests on issue**

As at 31 December 2019 the number of units on issue in the Fund was 143,615,634 (June 2019:70,225,399). During the period a total of 9,143,498 and 64,246,737 securities were issued under the Stapled Fund's Institutional Placement and URB scrip consideration, respectively.

**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 Active REIT that occurred during the period under review other than those listed above or elsewhere in the Responsible Entity's report.

**Likely developments and expected results of operations**

The Fund will continue to invest in a wide range of real estate based activities and assets within the Australia and New Zealand markets and seek to actively manage a diversified portfolio of investments.

**Events subsequent to balance date**

On 13 January 2020, TOT announced an on-market buy back securities up to 6,745,564 million ordinary stapled securities representing 10% of the number of securities on issue as allowed under the ASX listing rules. The buy-back will be funded from TOT's available cash balance. At the date of this reports the Fund had bought back and cancelled 4,815,353 securities.

At a meeting of securityholders held on 21 February 2020, the updated strategy for the Stapled Fund was approved together with the ratification of the institutional placement in October 2019 resulting in the refreshment of the Funds 15% placement capacity. Subsequent to the meeting the responsible entity announced the new name for the stapled Fund, being 360 Capital REIT, to align Funds strategy.

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

**Auditor's independence declaration**

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Responsible Entity's report for the period ended 31 December 2019.

**Rounding of amounts**

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

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



**David van Aanholt**  
Chairman



**Tony Robert Pitt**  
Managing Director

Sydney  
27 February 2020

## Auditor's Independence Declaration to the Directors of 360 Capital FM Limited as Responsible Entity for 360 Capital Active REIT

As lead auditor for the review of the half-year financial report of 360 Capital Active REIT for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Mark Conroy  
Partner  
27 February 2020

**360 Capital Active REIT**
**Consolidated interim statement of profit or loss and other comprehensive income**
**For the half year ended 31 December 2019**

		31 December 2019 \$'000	31 December 2018 \$'000
	Note		
<b>Revenue from continuing operations</b>			
Finance revenue		73	74
Distribution from property funds		756	-
<b>Total revenue from continuing operations</b>		<b>829</b>	<b>74</b>
<b>Other income</b>			
Share of equity accounted profits		241	174
Net gain on fair value of financial assets		429	-
Gain on business acquisition	9	5,607	-
Other income		5	-
<b>Total other income</b>		<b>7,428</b>	<b>174</b>
<b>Total revenue from continuing operations and other income</b>		<b>8,257</b>	<b>248</b>
Management fees	11	100	45
Administration expenses		92	50
Transaction costs		403	-
Finance expenses		33	-
<b>Profit from continuing operations before tax</b>		<b>7,211</b>	<b>153</b>
Income tax expense/(benefit)		1,107	(18)
<b>Profit for the period</b>		<b>6,104</b>	<b>171</b>
<b>Total comprehensive income for the period</b>		<b>6,104</b>	<b>171</b>
<b>Total comprehensive loss attributable to:</b>			
Unitholders of 360 Capital Active REIT		6,104	171
<b>Profit attributable to the unitholders</b>		<b>6,104</b>	<b>171</b>
<b>Profit for the period</b>		<b>6,104</b>	<b>171</b>
<b>Loss per unit for continuing operations</b>			
<b>attributable to the unitholders of 360 Capital Active REIT</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per security		7.8	0.3

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

**360 Capital Active REIT**  
**Consolidated interim statement of financial position**  
**As at 31 December 2019**

		<b>31 December</b>	<b>30 June</b>
		<b>2019</b>	<b>2019</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	7	22,289	9,530
Receivables		17,304	472
Inventory	3	17,444	-
Financial assets at fair value through profit or loss	5	4,005	-
<b>Total current assets</b>		<b>61,042</b>	<b>10,002</b>
<b>Non-current assets</b>			
Investments equity accounted	4	2,580	397
Financial assets at fair value through profit or loss	5	12,957	4,819
Convertible notes		10,000	-
Deferred tax assets		577	51
<b>Total non-current assets</b>		<b>26,114</b>	<b>5,267</b>
<b>Total assets</b>		<b>87,156</b>	<b>15,269</b>
<b>Current liabilities</b>			
Trade and other payables		503	2,178
Loan to related entity		43,782	-
Deferred tax liabilities		886	-
Provision for income tax		1,616	-
<b>Total current liabilities</b>		<b>46,787</b>	<b>2,178</b>
<b>Non-current liabilities</b>			
Borrowings		8,227	-
<b>Total non-current liabilities</b>		<b>8,227</b>	<b>-</b>
<b>Total liabilities</b>		<b>55,014</b>	<b>2,178</b>
<b>Net assets</b>		<b>32,142</b>	<b>13,091</b>
<b>Equity</b>			
Issued capital – ordinary units	6	25,702	12,755
Retained earnings		6,440	336
<b>Total equity attributable to unitholders</b>		<b>32,142</b>	<b>13,091</b>
<b>Total equity</b>		<b>32,142</b>	<b>13,091</b>

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

**360 Capital Active REIT**  
**Consolidated interim statement of changes in equity**  
**For the half year ended 31 December 2019**

	<b>Note</b>	<b>Issued capital \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity attributable to unitholders \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2019</b>		12,755	336	13,091	13,091
Total comprehensive income for the year		-	6,104	6,104	6,104
<b>Transactions with unitholders in their capacity as unitholders</b>					
Issued units	6	13,059	-	13,059	13,059
Equity raising transaction costs	6	(112)	-	(112)	(112)
		12,947	-	12,947	12,947
<b>Balance at 31 December 2019</b>		<b>25,702</b>	<b>6,440</b>	<b>32,142</b>	<b>32,142</b>
<b>Balance at 1 July 2018</b>		11,949	41	11,990	11,990
Total comprehensive income for the year		-	171	171	171
<b>Transactions with unitholders in their capacity as unitholders</b>					
Issued units - DRP		302	-	302	302
Equity raising transaction costs		(3)	-	(3)	(3)
		299	-	299	299
<b>Balance at 31 December 2018</b>		<b>12,248</b>	<b>212</b>	<b>12,460</b>	<b>12,460</b>

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



**360 Capital Active REIT**  
**Consolidated interim statement of cash flows**  
**For the half year ended 31 December 2019**

		<b>31 December 2019 \$'000</b>	<b>31 December 2018 \$'000</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customer		5	-
Cash payments to suppliers (inclusive of GST)		(190)	(112)
Dividends and distributions received		358	-
Finance revenue		72	74
Finance costs		(33)	-
<b>Net cash inflows/(outflows) from operating activities</b>	<b>7 (b)</b>	<b>212</b>	<b>(38)</b>
<b>Cash flows from investing activities</b>			
Payments for financial assets		(8,467)	-
Proceeds from disposal of financial assets		547	-
Payment for equity accounted investment		(797)	-
Payments for convertible notes		(10,000)	-
Payments for inventory		(17,444)	-
Net proceeds from acquisition of controlled entity, net cash received		53,438	-
Payments for other financial assets		(76)	-
<b>Net cash inflows from investing activities</b>		<b>17,201</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		8,227	-
Proceeds from issue of capital		1,715	302
Payments for loan to related party		(14,480)	(5,656)
Payment of transaction costs to issue capital		(116)	(7)
<b>Net cash outflows from financing activities</b>		<b>(4,654)</b>	<b>(5,361)</b>
Net increase/(decrease) in cash and cash equivalents		12,759	(5,399)
Cash and cash equivalents at the beginning of the period		9,530	10,609
<b>Cash and cash equivalents at the end of the period</b>	<b>7 (a)</b>	<b>22,289</b>	<b>5,210</b>

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

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## Financial Information

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

### Note 1: Distributions

The Fund did not declare or pay any distributions during the period ended 31 December 2019 (December 2018: Nil).

### Note 2: Income tax expense

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

	31 December 2019 \$'000	31 December 2018 \$'000
Profit before tax attributable to stapled unitholders	7,211	153
Income tax expense at the effective corporate rate of 27.5%	1,983	42
<u>Increase/(decrease) in income tax expense due to:</u>		
Net fair value gain on investment	(118)	-
Net gain on sale of listed securities	1,110	-
Gain on business acquisition	(1,542)	-
Net business acquisition costs and or equity raising costs	111	(15)
Equity accounted profits	(381)	(48)
Other tax adjustments	(56)	3
Income tax expense/(benefit)	1,107	(18)
Adjustment for current tax of prior years	-	-
<b>Income tax expense/(benefit) recognised in the statement of profit or loss</b>	<b>1,107</b>	<b>(18)</b>

The current year tax expense within the Active Fund was primarily related to URB Investments Limited (URB) income post acquisition in December 2019. On 23 August 2019 the Active Fund created a tax consolidated group consisting of the Active Fund and 360 Capital Residential Pty Limited and URB joined the tax consolidated group on acquisition on 20 December 2019.

### Note 3: Inventory

	31 December 2019 \$'000	30 June 2019 \$'000
Inventory	17,444	-
	<b>17,444</b>	<b>-</b>

On 3 September 2019 the Fund announced that it had exchanged contracts to acquire 23 brand new strata titled apartments in Gladesville, NSW for a total purchase price of \$16.5 million. The apartments comprise a combination of one, two and three- bedroom apartments. The settlement was completed on 14 November 2019 and funded using a \$8.25 million facility with a major Australian bank and \$8.25 million from the existing cash reserves. The carrying value of inventory includes associated acquisition costs including stamp duty.

**360 Capital Active REIT**  
**Condensed notes to the interim financial report**  
**For the half year ended 31 December 2019**

**Note 4: Investments equity accounted**

	<b>31 December 2019 %</b>	<b>30 June 2019 %</b>	<b>31 December 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
<b>Joint venture</b>				
AMF Finance Pty Limited	50.0	50.0	638	397
TGP TOT JV Pty Limited	50.0	-	1,942	-
			<b>2,580</b>	<b>-</b>

The Fund holds a 50% stake in AMF Finance Pty Limited (AMF). AMF originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT. The other 50% interest in the joint venture is held by 360 Capital Group (ASX: TGP).

TOT holds a 50% investment in TGP TOT JV Pty Limited, which acquired a 19.99% strategic stake in Velocity Property Group (ASX: VP7) for \$1.6 million on 23 December 2019. The other 50% interest in the joint venture is held by 360 Capital Group.

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

	<b>31 December 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
<b>AMF Finance Pty Limited</b>		
Opening balance – 1 July	397	352
Share of equity accounted profit	241	45
Closing Balance	<b>638</b>	<b>397</b>

	<b>31 December 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
<b>TGP TOT JV Pty Limited</b>		
Opening balance – 1 July	-	-
Acquisition of equity interest	797	-
Share of equity accounted profit - revaluation on acquisition	1,145	-
Closing Balance	<b>1,942</b>	<b>-</b>

**360 Capital Active REIT**  
**Condensed notes to the interim financial report**  
**For the half year ended 31 December 2019**

**Note 5: Financial assets at fair value through profit or loss**

	<b>31 December</b>	<b>30 June</b>
	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Investment in listed funds	4,005	-
	<b>4,005</b>	<b>-</b>
<b>Non-current</b>		
Investment in listed funds	1,722	4,819
Investment in unlisted funds	11,235	-
	<b>12,957</b>	<b>-</b>
<b>Total</b>	<b>16,962</b>	<b>4,819</b>

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

	<b>31 December</b>	<b>30 June</b>
	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	4,819	-
Financial assets acquired – on market	5,917	4,549
Financial assets acquired – as part of business acquisition	32,317	-
Financial assets disposed – on market	(16,863)	-
Financial assets derecognised – as part of business acquisition	(9,240)	-
Fair value adjustment of financial assets	429	270
Realised loss on disposal of financial assets	(417)	-
<b>Closing balance</b>	<b>16,962</b>	<b>4,819</b>

**Note 6: Equity**

**(a) Issued capital**

	<b>31 December</b>	<b>30 June</b>
	<b>2019</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
360 Capital Active REIT - Ordinary units issued	143,616	70,225
	<b>\$'000</b>	<b>\$'000</b>
360 Capital Active REIT - Ordinary units issued	25,702	12,755
Total issued capital	<b>25,702</b>	<b>12,755</b>

**(b) Movements in issued capital**

Movement during the period in the number of issued units of the Fund was as follows:

	<b>31 December</b>	<b>30 June</b>
	<b>2019</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Opening balance	70,225	65,854
Securities issued under the Institutional placement offer	9,144	-
Securities issued for URB Scrip offer	64,247	4,371
Closing balance	<b>143,616</b>	<b>70,225</b>

**360 Capital Active REIT**  
**Condensed notes to the interim financial report**  
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**Note 6: Equity (continued)**

Movement during the half year in the value of issued units of the Fund was as follows:

	<b>31 December 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
Opening balance	12,755	11,949
Securities issued under the Institutional placement	1,715	-
Securities issued for URB Scrip	11,344	811
Transaction costs incurred in issuing capital	(112)	(5)
Closing balance	<b>25,702</b>	12,755

**(c) Equity Raising**

During the half year the Stapled Fund issued 9.14 million stapled units at \$1.18 per unit to institutional investors raising circa \$10.8 million. The allotment of new stapled units was completed on 21 October 2019. The proceeds were allocated to fund the lending activities and replenishing working capital. Securities were issued at the trading price on the day of the issue.

The Stapled Fund also issued 64.25 million stapled units under scheme of arrangement in relation to the acquisition of URB. The scheme was implemented on 20 December 2019 and the ASX trading of the new units commenced on 23 December 2019.

**Note 7: Cash flow information**

**(a) Reconciliation of cash and cash equivalents**

	<b>31 December 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
Cash at bank	22,289	9,530
Cash and cash equivalents in the statement of cash flows	<b>22,289</b>	9,530

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

	<b>31 December 2019 \$'000</b>	<b>30 June 2019 \$'000</b>
<b>Net profit for the period</b>	<b>6,104</b>	295
<u>Adjustment for:</u>		
Net gain on fair value of financial assets	(429)	(270)
Tax effect of net gain on fair value of financial assets	118	74
Net loss on disposal of financial assets	418	
Gain on business acquisition	(5,607)	
Share of equity accounted profits	(1,387)	(45)
Transaction costs	403	9
<u>Change in assets and liabilities</u>		
Increase in receivables and other assets	(369)	(63)
(Increase)/decrease in payables	961	9
<b>Net cash outflows from operating activities</b>	<b>212</b>	9

## **Risk**

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

### **Note 8: Other financial assets and liabilities**

#### **Fair values**

The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 31 December 2019.

#### 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 Fund 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.

## **Fund Structure**

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

### **Note 9: Business combinations**

#### URB Investments Limited

URB Investments Limited (URB) was an ASX listed investment company specialising in investing in small and medium sized companies located within Australia and New Zealand.

The acquisition was implemented through a scheme of arrangement under which each scheme share will be transferred to TOT in exchange for 0.9833 TOT securities for every fully paid scheme share transferred (Scrip consideration).

On 6 November 2019, the resolution to approve the scheme was passed by the requisite majorities of URB shareholders. The stapled units under scrip consideration were issued on 20 December 2019.

The commencement of trading of new TOT securities on ASX was on 23 December 2019.

Details of the purchase consideration to acquire URB Investments Limited on 20 December 2019 are as follows:

	<b>\$'000</b>
Unit issued (64,246,737 at \$1.09)	70,029
Financial assets at fair value through profit or loss	9,240
<b>Total purchase consideration</b>	<b>79,269</b>

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

	<b>\$'000</b>
<b>Assets</b>	
Cash and cash equivalents	53,438
Receivables	30
Financial assets at fair value through profit or loss	32,317
Other current assets	777
<b>Liabilities</b>	
Trade and other payables	(42)
Deferred tax liabilities	(1,059)
Other current liabilities	(585)
<b>Net identifiable assets acquired</b>	<b>84,876</b>
Less: Gain on bargain purchase	(5,607)
<b>Total purchase consideration</b>	<b>79,269</b>

The fair value of receivables and other current assets approximates the collectible amount. Financial assets which consist of listed securities and unlisted property trusts have been adjusted to their market value at the date of acquisition.

A bargain on purchase of URB Investments Limited of \$5.6 million has been recognised as income in the consolidated statement of profit or loss for the period. The bargain represents the different between total purchase consideration and net identifiable assets acquired. The gain on the acquisition of URB was attributed to the lower scrip consideration paid. TOT share price was trading at a discount of circa 8% from its NAV on the implementation date



**360 Capital Active REIT**  
**Condensed notes to the interim financial report**  
**For the half year ended 31 December 2019**

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**Note 9: Business combinations (continued)**

Revenue and profit contribution

The acquired business contributed revenues of \$0.4 million and a net loss after tax of \$0.88 million to the Fund from 21 December 2019 to 31 December 2019.

If the acquisition had occurred on 1 July 2019, consolidated total revenue from continuing operations and the consolidated net loss of the acquired business for the half year ended 31 December 2019 would have been \$1.6 million and \$1.8 million respectively. Net loss for the half year from 1 July 2019 would include transaction costs of \$1.5 million expensed by URB prior to the Acquisition date. These amounts have been calculated using the Fund'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	-
Cash and cash equivalents acquired	53,438
Inflow of cash to acquire subsidiary	53,438
Less: Business combination transaction costs expensed through profit or loss	(382)
Less: Business combination transaction costs recognised in equity	(62)
Total cash inflow on acquisition of controlled entity	52,994

Acquisition related costs

Acquisition related costs of \$0.38 million incurred have been expensed in the consolidated statement of profit or loss and have been included as part of net cash flows from investing activities in the consolidated statement of cash flows. Transaction costs include tax, legal and advisory fees. The attributable costs of the issuance of equity of \$0.06 million have been charged directly to equity as a reduction in issued capital and have been included as part of net cash flows from financing activities in the consolidated statement of cash flows.

Gain on fair value of financial assets

Prior to gaining control of URB on 20 December 2019, the Fund had accumulated an ownership interest of 11.7% and had recognised this investment as a financial asset at fair value through profit or loss. Upon gaining control of URB, this investment was treated as if it was disposed of at fair value on acquisition date and the resulting gain recognised in profit or loss.

	\$'000
Opening balance at 1 July 2019: Financial assets at fair value through profit or loss	4,819
Consideration paid for units	4,317
Disposal of financial assets (at Acquisition date fair value)	(9,240)
Gain on fair value of financial assets	104

## Unrecognised Items

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

### Note 10: Events subsequent to balance date

On 13 January 2020, TOT announced an on-market buy back securities up to 6,745,564 million ordinary stapled securities representing 10% of the number of securities on issue as allowed under the ASX listing rules. The buy-back will be funded from TOT's available cash balance. At the date of this reports the Fund had bought back and cancelled 4,815,353 securities.

At a meeting of securityholders held on 21 February 2020, the updated strategy for the Fund was approved together with the ratification of the institutional placement in October 2019 resulting in the refreshment of the Funds 15% placement capacity. Subsequent to the meeting the responsible entity announced the new name for the Fund, being 360 Capital REIT, to align the name to the Funds strategic future direction.

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

## Other Information

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

### Note 11: Related party transactions

#### Responsible entity

The Responsible Entity of the Fund is 360 Capital FM Limited (ABN 15 090 664 396) (AFSL No 221474). The immediate parent entity of the Responsible Entity is 360 Capital Property Limited (ABN 46 146 484 433), and its ultimate parent entity is 360 Capital Group Limited (ABN 18 113 569 136).

#### Responsible Entity's fees and other transactions

Under the terms of the constitution, the Responsible Entity is entitled to receive fees in accordance with the product disclosure statement.

	31 December 2019 \$	31 December 2018 \$
<b>Fees for the year paid/payable by the Fund:</b>		
Management of the Fund	77,372	41,958
Fund recoveries	22,753	3,263
	<b>100,125</b>	<b>45,220</b>

**360 Capital Active REIT**  
**Condensed notes to the interim financial report**  
**For the half year ended 31 December 2019**

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**Note 11: Related party transactions (continued)**

*Management Fee:* The Responsible Entity is entitled to a Management Fee of 0.65% p.a. of the gross value of the assets of the Fund during the relevant year for its role in managing and administering the Fund.

*Performance Fee:* The Responsible Entity is entitled to a Performance Fee of 20% of any total return in excess of 12% p.a. The calculation of total return is based on actual distributions paid to Stapled Unitholders during the relevant financial year plus any increase in the trading price of Stapled Units in the relevant financial year. The Performance Fee is payable yearly in arrears after the end of the relevant financial year.

*Acquisition Fee:* The Responsible Entity will be entitled to an acquisition fee of up to 1.0% of the total purchase price of an investment of the Fund. The acquisition fee is payable upon the completion of the relevant acquisition.

*Disposal Fee:* The Responsible Entity will be entitled to a disposal fee of up to 1.0% of the total sale price of an investment sold by the Fund. The disposal fee is payable upon the completion of the relevant sale.

Related Party Loan

The Active Fund has a loan with the Passive Fund. The balance of the loan payable at 31 December 2019 is \$43,782,000 (December 2018: Loan receivable \$6,607,101). There is no interest charged on the loan.

Interest in Joint venture

The Fund holds a 50% stake of AMF Finance Pty Limited (AMF). AMF provides alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT. The other 50% stake is held by 360 Capital Group.

**Note 12: Basis of preparation**

**a) Reporting entity**

The Active Fund forms part of the stapled entity, 360 Capital REIT (ASX: TOT) comprising 360 Capital Passive REIT and its controlled entities and 360 Capital Active REIT and its controlled entities.

The Responsible Entity of the Fund is 360 Capital FM Limited. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Fund are disclosed in the Responsible Entity's report.

The interim financial report was authorised for issue by the Board on 27 February 2020.

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 2019 and any public announcements made by 360 Capital REIT 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 Active REIT for the year ended 30 June 2019 is available upon request from the registered office at Level 8, 56 Pitt Street, Sydney NSW 2000 Australia.

The accounting policies adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period, except for those disclosed in Note 12(c) below.

**b) Basis of preparation**

Basis of preparation

360 Capital Active REIT is a for-profit entity for the purpose of preparing the interim financial report.

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

The interim financial report is presented in Australian dollars.

**Note 12: Basis of preparation (continued)**

**c) Changes in accounting policies and disclosures**

The Fund applied AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

**AASB 16 Leases**

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The fund does not currently have existing lease contracts and as a result no adjustments have been made to the financial statements.

## 360 Capital Active REIT

### Independent auditor's review report

For the half year ended 31 December 2019

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

- 1) The interim financial statements and notes that are set out on pages 6 to 20 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the entity's financial position as at 31 December 2019 and of its performance for the period 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 entity will be able to pay its debts as and when they become due and payable.

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



**David van Aanholt**  
Chairman



**Tony Robert Pitt**  
Managing Director

Sydney  
27 February 2020

## Independent Auditor's Review Report to the Unitholders of 360 Capital Active REIT

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of 360 Capital Active REIT and its subsidiaries (collectively the "Fund"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of 360 Capital FM Limited, the Responsible Entity of the Fund.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the financial position of the Fund as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



## Independence

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

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Conroy'.

Mark Conroy  
Partner  
Sydney  
27 February 2020