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360 Capital

ASX Release

18 August 2021

REAL ASSETS
PRIVATE EQUITY
CREDIT

360 Capital REIT (ASX: TOT)

Appendix 4E

For the year ended 30 June 2021

360 Capital REIT comprises the stapling of 360 Capital FM Limited (ABN 15 090 664 396 AFSL 221474) as Responsible Entity for 360 Capital Passive REIT (ARSN 602 304 432) and 360 Capital Active REIT (ARSN 602 303 613).

This Preliminary Financial Report is given to the ASX in accordance with Listing Rule 4.3A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2021. It is also recommended that the Annual Report be considered together with any public announcements made by the Fund. Reference should also be made to the statement of significant accounting policies as outlined in the Financial Report. The Annual Report for the year ended 30 June 2021 is attached and forms part of this Appendix 4E.

Details of reporting period

Current reporting period: 1 July 2020 – 30 June 2021

Prior corresponding period: 1 July 2019 – 30 June 2020

Results announcement to the market

	30 Jun 2021 $'000	30 Jun 2020 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	25,755	20,749	5,006	24.1
Profit attributable to stapled securityholders for the year	9,235	10,429	(1,194)	(11.4)
Operating profit[1]	8,580	7,722	858	11.1

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

	30 Jun 2021 Cents per security	30 Jun 2020 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	6.7	9.6	(2.9)	(30.2)
Operating profit per security	6.2	7.1	(0.9)	(12.7)

Distributions

	Cents per Security	Total paid	Date of payment
September quarter distribution	1.50	2,080	27 October 2020
December quarter distribution	1.50	2,066	27 January 2021
March quarter distribution	1.50	2,066	28 April 2021
June quarter distribution	1.50	2,066	28 July 2021
Total distribution for the year ended 30 June 2021	**6.00**	**8,278**	
September quarter distribution	2.25	1,580	24 October 2019
December quarter distribution	2.25	3,231	23 January 2020
March quarter distribution	2.25	3,123	23 April 2020
June quarter distribution	2.25	3,123	28 July 2020
Total distribution for the year ended 30 June 2020	**9.00**	**11,057**	

Net tangible asset per security

	30 Jun 2021 $	30 Jun 2020 $
NTA per security	1.14	1.13

Control Gained or Lost over Entities during the year

Refer to Note 20 Controlled Entities of the Financial Report.

Details of Associates and Joint Venture Entities

Refer to Note 10 Investments Equity Accounted of the Financial Report.

360 Capital

360 CAPITAL REIT

(ASX:TOT)

ANNUAL REPORT

For the year ended 30 June 2021

360 Capital REIT comprises 360 Capital Passive REIT (ARSN 602 304 432)
360 Capital Active REIT (ARSN 602 303 613)

General information

The financial report of 360 Capital REIT (Consolidated Entity or Fund) comprises the consolidated financial statements of 360 Capital Passive REIT (Passive REIT) (ARSN 602 304 432) and its controlled entities and 360 Capital Active REIT (Active REIT) (ARSN 602 303 613) and its controlled entities. 360 Capital REIT is an Australian Securities Exchange (ASX) listed stapled security comprising 360 Capital Passive REIT and 360 Capital Active REIT trading as 360 Capital REIT (ASX: TOT).

The Responsible Entity of the Fund is 360 Capital FM Limited (ABN 15 090 664 396) (AFS License No. 221474). Its registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 August 2021.

Contents

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 financial report of 360 Capital REIT (Fund or consolidated entity) (ASX: TOT) for the year ended 30 June 2021. 360 Capital REIT comprises 360 Capital Passive REIT (Parent Entity or Passive REIT) and its controlled entities and 360 Capital Active REIT (Active REIT) and its controlled entities.

Directors

The following persons were directors of 360 Capital FM Limited during the whole of the financial 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 - retired 31 March 2021

Andrew Graeme Moffat

Principal activities

The Fund listed on the Australian Stock Exchange (ASX) in April 2015 as a unique fund investing in various forms of real estate assets.

The 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 businesses
- underwriting 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 special situations within markets including distressed sales, investments with restructuring potential, and providing loans

Key financial highlights for the year ended 30 June 2021

Statutory net profit

$9.2m

(2020: $10.4 million)

Statutory net profit attributable to securityholders of $9.2 million is 11.4% lower than the prior year reflecting the transition from real estate debt investing and redeployment of capital to equity investing during the year

Operating profit

$8.6m

(2020: $7.7 million)

Operating profit[1] of $8.6 million (equating to 6.2cps) includes a distributable gain of $4.2 million from the disposal of the Fund's holding in Peet Limited (ASX: PPC)

Distributions per security

6.0cps

(2020: 9.0cps)

Distributions of 6.0 cps for the year in line with guidance and reflects a 33.3% decrease on the prior year

Net tangible assets

$1.14

per security
(Jun 2020: $1.13)

The Fund's NTA is $1.14 per security an increase of 1 cent on the prior year.

ASX closing price

$0.995

per security
(Jun 2020: $0.865)

The Fund's closing price of $0.995 per security is a 15% increase on the prior year and reflects 12.7% discount to NTA as at 30 June 2021

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

Key operational achievements for the year ended 30 June 2021

Investment

PEET

ASX: PPC

During the year the Fund disposed of its 5.0% strategic stake in Peet Limited (ASX: PPC) resulting in a distributable gain of $4.2 million and representing an IRR of 18.1%

Acquisition

IRONGATE

ASX: IAP

Acquired a 12.4% stake in Irongate Group (ASX: IAP) for $113.0 million, an ASX listed diversified REIT with approximately $1.3 billion of assets and a funds management platform.

Acquisition

pmg We're Invested

Funds Management Limited

TOT acquired a 50% equity interest in PMG Funds for NZ$17.5 million, a leading NZ based real estate fund manager which currently has NZ$781.2 million in FUM

Financial overview

The Fund's statutory profit attributable to securityholders for the year was $9.2 million (2020: $10.4 million). The profit for the year included $1.9 million (2020: $7.5 million) of finance revenue generated by interest on cash held and loans receivable. The Fund's balance sheet as at 30 June 2021 had gross assets of $168.3 million (2020: $161.7 million).

Significant transactions

Investment in Irongate Group

During the year the Fund acquired a 12.4% stake in Irongate Group (ASX: IAP) for $113.0 million. IAP is a diversified real estate investor with $1.3 billion of real estate assets on balance sheet and a third-party funds management platform. IAP owns office and industrial assets across major metro markets and established precincts in Australia and New Zealand. At the date of this report, TOT now has a 12.8% strategic holding in Irongate Group (ASX: IAP). In aggregate with 360 Capital Group's (ASX: TGP) 6.5% holding TGP and TOT owns 19.3% of IAP.

Unlisted URB Investments

In July 2020, contracts were exchanged for the sale of the Penrith shopping centre asset held in the PURT 4 trust, part of the URB portfolio acquired in the previous financial year. On 29 January 2021, settlement occurred, and the Fund received net settlement proceeds of $6.6 million with a further $0.6 million received in June 2021. The investment vehicle is currently in the process of being wound up.

The only remaining investment from the URB acquisition in the previous year is the interest in Home HQ Artarmon which is deemed non-core.

Equity Investment in PMG Group

In February 2021, TOT entered into a 50% joint venture with PMG Group (PMG) for consideration of NZ$17.5 million. PMG is a New Zealand based diversified commercial real estate funds management business, established in 1992.

PMG manages five unlisted funds, three single-property syndicates, with 47 properties and NZ$781.2m of Funds Under Management ("FUM")[1].

The joint venture provides TOT with an investment in a growing funds management platform with a long track record and diversification through exposure to the New Zealand real estate market. This investment provides TOT with enhanced returns over and above holding a direct real estate asset, through fee income from funds management and underwriting activities.

Investment in residential apartments

During the year, the Fund continued its sales campaign for the apartments held in Gladesville, NSW. During the year to 30 June 2021, the Fund settled a further 13 apartments in Gladesville.

TOT has now settled the sale of 20 out of 23 apartments, at an average premium of 20.3% to the November 2019 purchase price. Whilst transaction volumes have slowed, TOT is confident of selling the remaining apartments over the remaining calendar year.

Investment in Dealt Limited

Dealt Limited (ASX: DET) (previously Velocity Property Group (ASX: VP7)) (Dealt) is an ASX listed boutique property development company that develops multi-unit apartment and mixed commercial developments in Queensland. TOT holds a 50% stake in a joint venture company, TGP TOT JV Pty Limited which holds a 19.9% strategic stake in Dealt. The other 50% is held by 360 Capital Group.

On 23 December 2020, DET shareholders approved the acquisition of AMF Finance for which TOT is a 50% JV partner in ($1.5 million for TOT's 50.0%) subject to completion of the proposed capital raising. Due to investor demand, DET's minimum capital raising amount was not met, as such at this time the sale of AMF Finance will not proceed. As at 30 June 2021, $6.8m of TOT's $10.0 million corporate loan note to Dealt has been repaid, the balance is forecast to be repaid by December 2021.

Capital management

The Fund did not issue any additional units during the year (2020: 73,390,235).

The Distribution Reinvestment Plan was opened for the June quarter distribution. Post year end in July 2021, 2.1 million securities were issued at a price of $0.96.

Strategy and operating environment

Impact of COVID-19 on the consolidated entity

The World Health Organization declared a global pandemic in March 2020 as a result of the novel coronavirus (COVID-19). The consolidated entity has considered the impact of COVID-19 in preparing its financial report for the year. Although vaccination efforts are already underway, the effects of the pandemic are continuing to unfold, and the extent of future social, medical and economic impacts worldwide are unknown.

As a result of COVID-19, TOT ceased its lending activities and shifted management's focus to converting outstanding loan positions and assets to cash. During the financial year, all outstanding development loans were repaid with only a $3.2 million note receivable outstanding and a $3.9 million loan to a joint venture partner.

Given the market volatility and economic uncertainty, the Responsible Entity took a conservative approach with a focus on capital preservation in 1HFY21. The market conditions produced a dislocation between direct real estate transactions and A-REIT pricing. In 2HFY21 TOT deployed its balance sheet in line with its refined real estate equity strategy to capitalise on this opportunity.

Refined Investment strategy

TOT has commenced executing on its refined strategy of investing in real estate equity. Simplifying TOT's strategy and focus to generating recurring income from real estate equity investments.

1. Including assets under contract as at 31 July 2021

TOT's longer-term objective is owning direct assets with value-add opportunities on balance sheet. Initially TOT is gaining this exposure through strategic investments in real estate funds management platforms.

Market conditions for direct real estate remains competitive despite softening real estate fundamentals. This has led to a dislocation between A-REIT pricing and underlying direct real estate transactions. As detailed above at the date of this report, TOT now has a 12.8% strategic holding in IAP and in aggregate with 360 Capital Group's 6.5% holding TGP and TOT owns 19.3% of IAP.

Outlook

TOT's primary focus for the balance of FY22 is to close the gap between trading price and NTA and complete the sale of non-core assets and recycle proceeds into real estate equity.

In addition, the Responsible Entity remains focused on improving and maintaining communication of TOT's simplified investment strategy to existing and potential investors.

Distributions

Distributions paid during the financial year were as follows:

	30 Jun 2021 $'000	30 Jun 2020 $'000
September 2019 quarterly distribution 2.25 cps paid on 24 October 2019	-	1,580
December 2019 quarterly distribution 2.25 cps paid on 23 January 2020	-	3,231
March 2020 quarterly distribution 2.25 cps paid on 23 April 2020	-	3,123
June 2020 quarterly distribution 2.25 cps paid on 28 July 2020	-	3,123
September 2020 quarterly distribution 1.50 cps paid on 27 October 2020	2,080	-
December 2020 quarterly distribution 1.50 cps paid on 27 January 2021	2,066	-
March 2021 quarterly distribution 1.50 cps paid on 28 April 2021	2,066	-
June 2021 quarterly distribution 1.50 cps paid on 28 July 2021	2,066	-
	8,278	11,057

Significant changes in the state of affairs

Other than the matters described above, there were no significant changes in the state of affairs of the consolidated entity during the year.

Likely developments and expected results of operations

The Fund will continue to invest in real estate based activities and actively manage a diversified portfolio of investments in line with the Funds stated strategy.

Number of interests on issue

As at 30 June 2021 the number of securities on issue in the Fund was 137,739,757 (2020: 138,800,281).

Buy back arrangements

As detailed in the Fund constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from stapled securityholders. During the year ended 30 June 2021 there were 1,060,524 units bought back and cancelled (2020: nil) at an average price of $0.874.

Fees, commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 26 to the financial statements.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Matters subsequent to the end of the financial year

The Distribution Reinvestment Plan was operating for the June quarter distribution. In July 2021, 2.1 million securities were issued at a price of $0.96.

In July 2021, the Fund participated in a capital raise for one of PMG's unlisted funds as an underwriter, investing NZ$4.9 million into an unlisted property fund. Post balance date the Fund disposed of NZ$2.2 million units in the PMG unlisted fund it held at 30 June 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this responsible entity report.

Indemnity and insurance of officers

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Responsible Entity of the Fund against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of the Responsible Entity, other than conduct involving a wilful breach of duty in relation to the Responsible Entity. Insurance premiums are paid out of 360 Capital Group and not out of the assets of the Fund. The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer of the Responsible Entity.

Indemnity and insurance of auditor

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

Non-audit services

The Fund's auditor, Ernst & Young Australia provided non-audit services to the Fund during the year. Details of these services are provided in Note 24. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Stapled group report

360 Capital REIT is an entity of the kind referred to in ASIC Corporations (Stapled Group Reports) Instrument 2015/838 issued by the Australian Securities and Investments Commission (ASIC). In accordance with that Instrument, amounts in the annual financial report and Responsible Entity report include the consolidated results of 360 Capital REIT alongside the results of the Active REIT presented in adjacent columns.

Rounding of amounts

360 Capital REIT is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

David van Aanholt Chairman	Tony Robert Pitt Managing Director

18 August 2021

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

As lead auditor for the audit of the financial reports of 360 Capital REIT and 360 Capital Active REIT for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Douglas Bain
Partner
18 August 2021

	Note	Consolidated 30 Jun 2021 $'000	Consolidated 30 Jun 2020 $'000	Active REIT 30 Jun 2021 $'000	Active REIT 30 Jun 2020 $'000
Income					
Finance revenue	3	1,873	7,487	726	547
Distribution income	3	3,682	820	3,682	805
Sale of inventory	3	10,058	6,675	10,058	6,675
Underwriting fee income		279	-	279	-
Total revenue from continuing operations		**15,892**	14,982	**14,745**	8,027
Share of profits of associates accounted for using the equity method		902	299	902	299
Net fair value gain on financial assets		3,031	-	2,780	-
Gain on foreign exchange		445	-	445	-
Gain on business combination		-	4,513	-	4,513
Reversal of loss allowance on financial assets		109	899	59	-
Net gain on disposal of financial assets		5,354	-	5,354	-
Other income		22	56	22	56
Total revenue from continuing operations and other income		**25,755**	20,749	**24,307**	12,895
Expenses					
Cost of sales		(9,002)	(5,644)	(9,002)	(5,644)
Investment property expenses		(406)	(310)	(406)	(310)
Transaction costs		(726)	(782)	(726)	(777)
Administration expenses		(549)	(469)	(340)	(263)
Loss allowance on financial assets		-	-	-	(124)
Net loss on disposal of financial assets		-	(515)	-	(515)
Management fees		(3,428)	(918)	(2,842)	(174)
Net fair value loss on financial assets		-	(2,086)	-	(1,254)
Finance costs		-	(161)	-	(161)
Total expenses		**(14,111)**	(10,885)	**(13,316)**	(9,222)
Profit before income tax (expense)/benefit		**11,644**	9,864	**10,991**	3,673
Income tax (expense)/benefit	4	(2,409)	565	(2,409)	565
Profit after income tax for the year attributable to the securityholders of 360 Capital REIT		**9,235**	10,429	**8,582**	4,238

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 30 Jun 2021 $'000	Consolidated 30 Jun 2020 $'000	Active REIT 30 Jun 2021 $'000	Active REIT 30 Jun 2020 $'000
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year attributable to the securityholders of 360 Capital REIT		**9,235**	10,429	**8,582**	4,238

Total comprehensive income attributable to:

	Note	Consolidated 30 Jun 2021	Consolidated 30 Jun 2020	Active REIT 30 Jun 2021	Active REIT 30 Jun 2020
Unitholders of 360 Capital Passive REIT		653	6,191	-	-
Unitholders of 360 Capital Active REIT		8,582	4,238	8,582	4,238
		9,235	10,429	**8,582**	4,238
		Cents	**Cents**	**Cents**	**Cents**
Basic earnings per security	25	**6.7**	9.6	**6.2**	3.9
Diluted earnings per security	25	**6.7**	9.6	**6.2**	3.9

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated		Active REIT	
		30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Assets					
Current assets					
Cash and cash equivalents		15,605	78,484	540	2,114
Receivables	5	819	612	803	474
Inventories	6	2,835	11,838	2,835	11,838
Financial assets at fair value through profit or loss - current	7	6,111	11,021	6,111	11,021
Loans receivable at amortised cost	9	3,160	42,445	3,160	-
Total current assets		**28,530**	144,400	**13,449**	25,447
Non-current assets					
Investments accounted for using the equity method	10	19,826	1,142	19,826	1,142
Financial assets at fair value through profit or loss - non current	8	116,055	6,305	116,055	3,260
Loans receivable at amortised cost	9	3,865	9,876	3,865	9,876
Total non-current assets		**139,746**	17,323	**139,746**	14,278
Total assets		**168,276**	161,723	**153,195**	39,725
Liabilities					
Current liabilities					
Trade and other payables	11	2,858	215	2,561	77
Borrowings	13	-	-	106,664	9,027
Provision for Income tax		1,505	1,292	1,505	1,292
Distribution payable		2,066	3,123	-	-
Total current liabilities		**6,429**	4,630	**110,730**	10,396
Non-current liabilities					
Trade and other payables	11	3,934	-	3,934	-
Deferred tax liabilities	12	835	42	835	42
Total non-current liabilities		**4,769**	42	**4,769**	42
Total liabilities		**11,198**	4,672	**115,499**	10,438
Net assets attributable to unitholders		**157,078**	157,051	**37,696**	29,287
Equity					
Issued capital	14	179,589	180,518	24,540	24,713
Retained profits/(accumulated losses)		(22,511)	(23,467)	13,156	4,574
Total equity		**157,078**	157,051	**37,696**	29,287

The above consolidated statements of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	105,215	(22,839)	82,376
Profit after income tax benefit for the year	-	10,429	10,429
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	10,429	10,429
Transactions with securityholders in their capacity as securityholders:			
Issued securities	80,818	-	80,818
Equity raising transaction costs	(376)	-	(376)
Securities bought back	(5,139)	-	(5,139)
Distributions	-	(11,057)	(11,057)
Balance at 30 June 2020	180,518	(23,467)	157,051

Consolidated	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	180,518	(23,467)	157,051
Profit after income tax expense for the year	-	9,235	9,235
Other comprehensive income for the year, net of tax	-	-	
Total comprehensive income for the year	-	9,235	9,235
Transactions with securityholders in their capacity as securityholders:			
Securities bought back	(927)	-	(927)
Equity transaction costs	(2)	-	(2)
Distributions	-	(8,279)	(8,279)
Balance at 30 June 2021	**179,589**	**(22,511)**	**157,078**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes

Active REIT	Issued capital $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	12,755	336	13,091
Profit after income tax benefit for the year	-	4,238	4,238
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	4,238	4,238
Transactions with securityholders in their capacity as securityholders:			
Issued securities	13,059	-	13,059
Equity raising transaction costs	(112)	-	(112)
Securities bought back	(989)	-	(989)
Balance at 30 June 2020	24,713	4,574	29,287

Active REIT	Issued capital $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	24,713	4,574	29,287
Profit after income tax expense for the year	-	8,582	8,582
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	8,582	8,582
Transactions with securityholders in their capacity as securityholders:			
Securities bought back and cancelled	(172)	-	(172)
Equity transaction costs	(1)	-	(1)
Balance at 30 June 2021	**24,540**	**13,156**	**37,696**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 30 Jun 2021 $'000	Consolidated 30 Jun 2020 $'000	Active REIT 30 Jun 2021 $'000	Active REIT 30 Jun 2020 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		219	92	219	56
Payments to suppliers and employees (inclusive of GST)		(2,110)	(1,915)	(1,502)	(1,033)
Dividends and distributions received		3,621	1,173	3,621	1,157
Finance revenue		2,659	11,068	613	550
Proceeds from/(payments for) inventory		10,058	(10,807)	10,058	(10,807)
Interest and other finance costs paid		-	(161)	-	(161)
Income taxes paid		(1,401)	(12)	(1,401)	(12)
Net cash inflows/(outflows) from operating activities	15	**13,046**	(562)	**11,608**	(10,250)
Cash flows from investing activities					
Payments for financial assets		(134,629)	(14,512)	(137,925)	(10,631)
Payment for equity accounted investments		(13,663)	(797)	(13,663)	(797)
Loans receivable provided		(3,890)	(68,843)	(3,890)	(10,000)
Proceeds from disposal of financial assets		38,655	19,961	38,657	19,932
Loans receivable repaid		48,491	52,720	6,800	-
Net proceeds from acquisition of subsidiary		-	53,438	-	53,438
Payment of transaction costs		(625)	(487)	(625)	(487)
Net cash (outflows)/inflows from investing activities		**(65,661)**	41,480	**(110,646)**	51,455
Cash flows from financing activities					
Proceeds from issue of securities	14	-	10,789	-	1,715
Proceeds from borrowings		-	8,250	-	8,250
Repayment of borrowings			(8,250)		(8,250)
Payments for security buy-backs		(927)	(5,140)	(172)	(989)
Security issue transaction costs		(2)	(376)	-	(112)
Distributions paid	2	(9,335)	(10,040)	-	-
Proceeds from borrowings from related entity		-	-	97,636	-
Repayment of borrowings to related entity		-	-	-	(49,235)
Net cash (outflows)/inflows from financing activities		**(10,264)**	(4,767)	**97,464**	(48,621)
Net increase/(decrease) in cash and cash equivalents		(62,879)	36,151	(1,574)	(7,416)
Cash and cash equivalents at the beginning of the financial year		78,484	42,333	2,114	9,530
Cash and cash equivalents at the end of the financial year		**15,605**	78,484	**540**	2,114

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes

Note 1. Operating segments

Identification of reportable operating segments
360 Capital REIT (Consolidated Entity or Fund) comprises the consolidated financial statements of 360 Capital Passive REIT (Passive REIT) and its controlled entities and 360 Capital Active REIT (Active REIT) and its controlled entities. The Fund invests solely in the property sector within Australia.

The Chief Operating Decision Maker, being the Managing Director of the Responsible Entity, monitors the performance and results of the Fund at a consolidated Fund level. As a result, the Fund has only one segment and no segment information is reported for the Active REIT.

Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for non-operating items which management consider to reflect the core earnings of the Fund and is used as a guide to assess the Fund's ability to pay distributions to stapled securityholders. The information provided is net of non-operating items comprising transaction costs, unrealised fair value adjustments of financial assets and other assets, unrealised and realised foreign exchange gains and losses, impairment adjustments, share of equity accounted profits in excess of distributions received, security based payments expense and all other non-operating activities.

The following table summarises key reconciling items between statutory profit attributable to the securityholders of the Fund and operating profit.

	Consolidated	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**
Profit attributable to stapled securityholders of the Fund	**9,235**	10,429
Non-operating items	-	-
Net (gain)/loss on disposal of financial assets	(5,355)	514
Net (gain)/loss on fair value of financial assets	(3,031)	2,086
Loss allowance on loans receivable	(109)	(899)
Gain on business combination[1]	-	(4,513)
Non-operating share of profits of equity accounted investment	387	(165)
Transaction and acquisition costs	987	782
Tax expense on non-operating items	348	(512)
Performance fees	2,378	-
Realised foreign exchange gain	(449)	-
Unrealised foreign exchange loss	4	-
Distributable gain[2]	4,185	-
Operating profit (profit before non-operating items)[3]	**8,580**	7,722
Weighted average number of stapled securities ('000)	138,125	108,668
Operating profit (profit before non-operating items) per stapled security - cents	**6.2**	7.1

1. Gain on bargain purchase from the acquisition of URB Investments Limited

2. Distributable (taxable) gain realised on disposal of Peet Limited (ASX: PPC) securities

3. Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for non-operating items. The Responsible Entity considers operating profit to reflect the core earnings of the Fund and it is used as a guide to assess the Fund's ability to pay distributions to securityholders.

Note 2. Distributions

The Active REIT did not declare any distributions during the year or up to the date of this report (2020: Nil). Distributions declared by the Passive REIT to securityholders during the year were as follows:

	30 Jun 2021 $'000	30 Jun 2020 $'000
September 2019 quarterly distribution 2.25 cps paid on 24 October 2019	-	1,580
December 2019 quarterly distribution 2.25 cps paid on 23 January 2020	-	3,231
March 2020 quarterly distribution 2.25 cps paid on 23 April 2020	-	3,123
June 2020 quarterly distribution 2.25 cps paid on 28 July 2020	-	3,123
September 2020 quarterly distribution 1.50 cps paid on 27 October 2020	2,080	-
December 2020 quarterly distribution 1.50 cps paid on 27 January 2021	2,066	-
March 2021 quarterly distribution 1.50 cps paid on 28 April 2021	2,066	-
June 2021 quarterly distribution 1.50 cps paid on 28 July 2021	2,066	-
	8,278	11,057

Note 3. Revenue

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Finance income				
Interest income - cash at bank	244	343	22	547
Interest income - loans receivable	1,629	7,144	704	-
	1,873	7,487	**726**	547

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Distribution income				
Distributions received - listed investments	3,466	770	3,466	755
Distributions received - unlisted investments	216	50	216	50
	3,682	820	**3,682**	805

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Sale of inventory				
Sale of inventory - Gladesville apartments	10,058	6,675	10,058	6,675

Note 4. Income tax expense/(benefit)

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate				
Profit before income tax (expense)/benefit	11,644	9,864	10,991	3,673
Tax at the statutory tax rate of 26% (2020: 27.5%)	**3,027**	2,713	**2,858**	1,010
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Trust income exempt from income tax	(170)	(1,703)	-	-
Gain on purchase of subsidiary	-	(1,241)	-	(1,241)
Loss on sale of investment	-	(4)	-	(4)
Loss allowance on financial asset	-	34	-	34
Equity raising costs	-	(31)	-	(31)
Transaction costs	163	8	163	8
Equity accounted profits	(234)	(82)	(234)	(82)
Tax-deferred distributions	(215)	-	(215)	-
Franked dividend gross up	54	-	54	-
Other tax adjustments	(51)	176	(52)	176
	2,574	(130)	**2,574**	(130)
Adjustment to deferred tax balances as a result of change in statutory tax rate	(2)	-	(2)	-
Adjustment for current tax of prior years	44	(141)	44	(141)
Tax offsets and rebates	(207)	(294)	(207)	(294)
Income tax expense/(benefit)	**2,409**	(565)	**2,409**	(565)

Note 5. Receivables

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets				
Trade receivables	-	372	-	373
GST Receivable	157	124	154	83
Other receivables	484	17	471	14
Dividends receivable	65	4	65	4
Interest receivable	113	95	113	-
	819	612	**803**	474

a) Allowance for expected credit losses
During the year, the Fund made a Nil (2020: Nil) ECL provision in respect of impairment under AASB 9.

b) Fair values
The receivables are carried at amounts that approximate their fair value. There are no receivables where the fair value would be materially different from the carrying value.

c) Credit risk
There is a limited amount of credit risk - refer to note 18 for more information on the risk management policy of the Fund.

Note 6. Inventories

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets				
Gladesville apartments	**2,835**	11,838	**2,835**	11,838

In the prior year, the Fund acquired 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. During the year, a further 13 apartments were settled. In total 20 of 23 apartments have been settled as at 30 June 2021.

The carrying value of inventory includes associated acquisition costs including stamp duty.

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

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Balance at 1 July	11,838	-	11,838	-
Inventory purchased during the period	-	16,500	-	16,500
Purchase costs capitalised	-	982	-	982
Cost of goods sold during the period	(9,003)	(5,644)	(9,003)	(5,644)
Closing balance	**2,835**	11,838	**2,835**	11,838

Note 7. Financial assets at fair value through profit or loss - current

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets				
Investments in unlisted securities	6,111	11,021	6,111	11,021

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Balance at 1 July	11,021	-	11,021	-
Additions through market	2,786	-	2,786	-
Additions through business combinations (note 21)	-	10,957	-	10,957
Disposals through market	(7,727)	(233)	(7,727)	(233)
Fair value adjustment of financial assets	31	297	31	297
Closing fair value	**6,111**	11,021	**6,111**	11,021

Refer to note 19 for further information on fair value measurement.

Note 8. Financial assets at fair value through profit or loss - non current

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Non-current assets				
Investments in listed securities - non current	116,055	6,305	116,055	3,260
Reconciliation				
Reconciliation of the fair values at the beginning and end of the current and previous periods are set out below:				
Balance at 1 July	6,305	-	3,260	-
Additions through market	132,288	7,998	135,584	4,122
Disposals through market	(30,929)	-	(30,929)	-
Fair value adjustment of financial assets	3,036	(1,693)	3,036	(862)
Realised gain on disposal of financial assets	5,355	-	5,104	-
Closing fair value	**116,055**	6,305	**116,055**	3,260

Refer to Note 19 for further information on fair value measurement.

Note 9. Loans receivable at amortised cost

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets				
Secured loans	3,200	42,495	3,200	-
Provision for expected credit losses	(40)	(50)	(40)	-
Total current	**3,160**	42,445	**3,160**	-
Non-current assets				
Secured loans	3,890	10,000	3,890	10,000
Provision for expected credit losses	(25)	(124)	(25)	(124)
Total non-current	**3,865**	9,876	**3,865**	9,876
Total	**7,025**	52,321	**7,025**	9,876

Loans receivable are initially recognised at fair value and subsequently carried at amortised cost in accordance with AASB 9. In the current year the Fund has recognised a total loss allowance of $25,220 based on the 12-month expected credit loss (ECL) for each loan in the Fund's portfolio in accordance with AASB 9. The Fund has also released total provisions of $134,070 as loans receivable were repaid during the year.

Note 10. Investments accounted for using the equity method

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Non-current assets				
Investment in JV - AMF Finance Pty Limited	82	181	82	181
Investment in JV - TGP TOT JV Pty Ltd	574	961	574	961
Investment in JV - PMG Holdings Limited	19,170	-	19,170	-
	19,826	1,142	**19,826**	1,142

Note 10. Investments accounted for using the equity method (continued)

Refer to note 20 for further information on controlled entities.

The Fund holds a 50% stake in AMF Finance Pty Limited (AMF or AMF Finance). 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% stake is held by 360 Capital Group (ASX: TGP).

TOT holds a 50% investment in TGP TOT JV Pty Limited, which holds a 19.9% strategic stake in Dealt Limited (ASX: DET) (formerly Velocity Property Group (ASX: VP7)). The other 50% interest in the joint venture is held by 360 Capital Group.

On 19 February 2021, the Fund entered into a 50% joint venture with PMG Holdings Limited (PMG), a New Zealand real estate funds management business. Consideration paid was AUD$17.8 million, including a $3.9 million loan to PMG equivalent to the amount of contingent consideration payable under the contract. Contingent consideration is payable to PMG shareholding upon the reaching of certain milestones under the contract. At the balance date, the Fund considers it highly probable that these milestones will be met and as a result has recognised a provision for this amount.

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

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
AMF Finance Pty Limited				
Opening balance – 1 July	181	397	181	397
Share of equity accounted profit/(loss)	(99)	134	(99)	134
Dividends received during the year	-	(350)	-	(350)
	82	181	**82**	181
TGP TOT JV Pty Limited				
Opening balance – 1 July	961	-	961	-
Acquisition of equity interest	-	796	-	796
Share of equity accounted profit/(loss)	(387)	165	(387)	165
	574	961	**574**	961
PMG Holdings Limited				
Opening balance – 1 July	-	-	-	-
Acquisition of equity interest	17,783	-	17,783	-
Share of equity accounted profit/(loss)	1,387	-	1,387	-
	19,170	-	19,170	-
	19,826	1,142	**19,826**	1,142

The following table provides summarised financial information relating to PMG Holdings Limited. The financial statements of the JV is prepared for the same reporting period as the Fund and follow the same accounting policies of the Fund.

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
PMG Holdings Pty Limited				
Current assets	5,970	-	5,970	-
Non-current assets	5,282	-	5,282	-
Current liabilities	(1,738)	-	(1,738)	-
Non-current liabilities	(4,795)	-	(4,795)	-
Equity	**4,719**	-	**4,719**	-
TOT's share of net assets	2,388	-	2,388	-
Intangible arising from acquisition of investee	16,782	-	16,782	-
TOT's carrying value	**19,170**	-	**19,170**	-

Note 10. Investments accounted for using the equity method (continued)

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Revenue from continuing operations	7,540	-	7,540	-
Expenses	(4,535)	-	(4,535)	-
Profit for year	**3,005**	-	**3,005**	-
Tax expense	(260)	-	(260)	-
Profit for year after tax	**2,745**	-	**2,745**	-
TOT's share of profit	**1,387**	-	**1,387**	-

Note 11. Trade and other payables

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current liabilities				
Trade payables and accruals	2,630	212	2,333	74
Other payables	228	3	228	3
	2,858	215	**2,561**	77
Non-current liabilities				
Contingent Consideration	3,934	-	3,934	-
	6,792	215	**6,495**	77

Refer to Note 18 for further information on financial instruments.

As part of the 50% acquisition of PMG Holdings Limited on 19 February 2021, the Fund recognised a contingent consideration component payable to PMG shareholders upon the reaching of certain milestones under the purchase agreement. This was originally recognised at fair value and subsequently held at fair value through profit or loss. At the balance date, the Fund considers it highly probable that these milestones will be met and as a result has recognised a liability for this amount.

Note 12. Deferred tax liabilities

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Non-current liabilities				
Deferred tax assets comprises temporary differences attributable to:				
Accrued expenses	9	7	9	7
Business acquisition costs	268	390	268	390
Unrealised loss on investments	-	239	-	239
	277	636	**277**	636
Deferred tax liabilities comprises temporary differences attributable to:				
Unrealised gain on investments	(1,112)	(678)	(1,112)	(678)
Net deferred tax liabilities	**(835)**	(42)	**(835)**	(42)

Deferred tax assets and liabilities are presented as a net amount in the Fund's financial statements to the extent that they are all with the same tax authority in Australia.

Note 12. Deferred tax liabilities (continued)

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

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Balance at 1 July	(42)	51	(42)	51
Net deferred tax liabilities acquired through acquisition of URB	-	(289)	-	(289)
Fair value movement on investments	(820)	239	(820)	239
Recognition of timing differences	27	82	27	82
Derecognition of carried forward tax losses	-	(125)	-	(125)
Closing balance	**(835)**	(42)	**(835)**	(42)
Net deferred tax liabilities expected to reverse within 12 months	(247)	(671)	(247)	(671)
Net deferred tax liabilities expected to reverse after more than 12 months	(588)	629	(588)	629
	(835)	(42)	**(835)**	(42)

Note 13. Borrowings

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current liabilities				
Due to/from TOT Passive/TOT Active	-	-	106,664	9,027

Refer to Note 18 for further information on financial instruments.

Note 14. Issued capital

A 360 Capital REIT stapled security comprises one 360 Capital Passive REIT unit stapled to one 360 Capital Active REIT unit to create a single listed entity traded on the ASX. The stapled security cannot be traded or dealt with separately.

Ordinary securities
Ordinary securities of the Fund are listed on the Australian Securities Exchange (ASX); there are no separate classes of securities and each security in the Fund has the same rights attaching to it as all other securities of Fund. Each ordinary security confers upon the securityholder an equal interest in the Fund and is of equal value to other securities in the Fund. A security does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of securityholders are contained in the Fund's Constitution and include:

- The right to receive a distribution determined in accordance with the provisions of the Fund's Constitution, which states that securityholders are presently entitled to the distributable income of the Fund as determined by the responsible entity;
- The right to attend and vote at meetings of securityholders; and
- The right to participate in the termination and winding up of the Fund.

Redemption of units is not a right granted by the Constitution but may be performed at the discretion of the responsible entity.

Equity classification Units are classified as equity. The Responsible Entity considers the units to meet the requirements for equity classification within AASB 132.16C-D based on the rights granted by the units.

(a) Issued capital

Consolidated	30 Jun 2021 Securities '000	30 Jun 2020 Securities '000	30 Jun 2021 $'000	30 Jun 2020 $'000
Issued capital - trust units	137,740	138,800	179,589	180,518

Note 14. Issued capital (continued)

Active REIT	30 Jun 2021 Securities '000	30 Jun 2020 Securities '000	30 Jun 2021 $'000	30 Jun 2020 $'000
Issued capital - trust units	137,740	138,800	24,540	24,713

(b) Movements in issued capital

Movements in issued capital - 360 Capital REIT

Details	Date	Securities '000	Average price	$'000
Balance	1 July 2019	70,225		105,215
Securities issued - institutional placement		9,143	$1.18	10,789
Securities issued for URB scrip		64,247	$1.09	70,029
Securities bought back and cancelled		(4,815)	$1.07	(5,139)
Transaction costs incurred in issuing securities		-	$0.00	(376)
Balance	30 June 2020	138,800		180,518
Securities bought back and cancelled		(1,060)	$0.87	(927)
Transaction costs incurred in security buyback		-	$0.00	(2)
Balance	30 June 2021	**137,740**		**179,589**

Movements in issued capital - 360 Capital Active REIT

Details	Date	Securities '000	Average price	$'000
Balance	1 July 2020	138,800		24,713
Securities bought back and cancelled		(1,060)	$0.16	(172)
Transaction costs incurred in security buyback		-	$0.00	(1)
Balance	30 June 2021	**137,740**		**24,540**

c) Buy back
During the year the Fund bought back and cancelled 1,060,524 units at an average price of $0.874.

d) Distribution reinvestment plan
The Fund activated its Distribution Reinvestment Plan (DRP) for the June 2021 quarterly distribution which was fully underwritten and post balance date issued 2,144,305 securities at $0.96.

Note 15. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Profit after income tax (expense)/benefit for the year	**9,235**	10,429	**8,582**	4,238
Adjustments for:				
Loss allowance loans receivable	(109)	(899)	(59)	-
Net (gain)/loss on disposal of financial assets	(5,355)	514	(5,355)	515
Net (gain)/loss on fair value of financial assets	(3,031)	1,741	(2,780)	909
Share of equity accounted profit	(902)	(299)	(902)	(299)
Capitalised interest on loans receivable	854	3,924	-	-
Gain on business acquisition	-	(4,513)	-	(4,513)
Realised foreign exchange gain	(449)	-	(449)	-
Unrealised foreign exchange loss	4	-	4	-
Tax expense on non-operating items	376	-	376	1,155
Acquisition and transaction costs	987	782	987	777
Change in operating assets and liabilities:				
Increase in receivables	(207)	(2,393)	(329)	(369)
Decrease/(increase) in inventories	9,000	(11,838)	9,000	(11,838)
Increase/(decrease) in trade and other payables	2,643	1,990	2,533	(825)
Net cash inflows/(outflows) operating activities	**13,046**	(562)	**11,608**	(10,250)

Note 16. Critical accounting judgements, estimates and assumptions

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

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

The critical accounting estimates, judgements and assumptions have required additional analysis due to the COVID-19 pandemic. Given the effects of the COVID-19 global pandemic continue to unfold and the ultimate impact is still unknown, changes to estimates and assumptions used to measure assets and liabilities may arise in the future. Other than adjusting events which provide evidence of conditions which existed at the reporting date, the impact of events that arise subsequent to the reporting date will be accounted for in future reporting periods.

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

Financial assets at fair value through profit or loss
The fair value of investments which are not traded in an active market is determined by using valuation techniques. The Fund uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The fair value assessment of these assets include the best estimate of the impacts of the COVID-19 pandemic using information available at the balance date.

Income tax
In circumstances where the Fund becomes subject to income taxes in Australia there are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

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

Note 16. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Contingent consideration
The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination or joint venture, and the amounts paid or settled up to the reporting date, discounted to net present value. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Note 17. Capital management

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

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to securityholder, return capital to securityholder, issue new units, purchase the Fund’s own units, or sell assets to reduce debt. During the year the Fund bought back and cancelled 1,060,524 units, refer to Note 15: Issued Capital for further information.

The Fund activated its Distribution Reinvestment Plan (DRP) for the June 2021 quarterly distribution which was fully underwritten and post balance date issued 2,144,305 securities.

There were no changes in the Fund’s approach to capital management during the year.

Note 18. Financial instruments

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

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

The nature and extent of the financial instruments and the risk management policies employed by the Fund are discussed in this section.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund’s income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Fund’s market risk is managed in accordance with the investment guidelines as outlined in the Fund’s Product Disclosure Statement.

Foreign currency risk
The Fund’s foreign exchange rate risk arises from overseas investments. Some investments are denominated in foreign currencies and expose the Fund to foreign exchange rate risk.

Note 18. Financial instruments (continued)

The carrying amount of the consolidated entity's and Fund's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
New Zealand dollars	6,221	-	3,934	-

	Assets		Liabilities	
Active REIT	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
New Zealand dollars	6,221	-	3,934	-

	AUD strengthened			AUD weakened		
Consolidated - 30 Jun 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
New Zealand dollars	1%	23	23	(1%)	(23)	(23)

	AUD strengthened			AUD weakened		
Active REIT - 30 Jun 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
New Zealand dollars	1%	23	23	(1%)	(23)	(23)

Price risk
The Fund is exposed to equity securities price risk. This arises from investments held by the Fund and classified on the statement of financial position as financial assets at fair value through profit or loss. The Fund is not exposed to commodity price risk. These risks include, but are not limited to, exposure from different investment classes. The overall risk to exposures from investments is monitored and managed by the Board.

The table below illustrates the potential impact a change in the security price by +/-1% would have had on the Fund’s profit.

	Average price increase			Average price decrease		
Consolidated - 30 Jun 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Financial assets						
Financial assets at fair value through profit or loss	1%	1,222	1,222	(1%)	(1,222)	(1,222)
		1,222	1,222		(1,222)	(1,222)

	Average price increase			Average price decrease		
Consolidated - 30 Jun 2020	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Financial assets						
Financial assets at fair value through profit or loss	1%	173	173	(1%)	(173)	(173)
		173	173		(173)	(173)

Note 18. Financial instruments (continued)

Active REIT - 30 Jun 2021	Average price increase % change	Effect on profit before tax	Effect on equity	Average price decrease % change	Effect on profit before tax	Effect on equity
Financial assets						
Financial assets at fair value through profit or loss	1%	1,222	1,222	(1%)	(1,222)	(1,222)
		1,222	1,222		(1,222)	(1,222)

Active REIT - 30 Jun 2020	Average price increase % change	Effect on profit before tax	Effect on equity	Average price decrease % change	Effect on profit before tax	Effect on equity
Financial assets						
Financial assets at fair value through profit or loss	1%	143	143	(1%)	(143)	(143)
		143	143		(143)	(143)

Interest rate risk
The Fund's main interest rate risk arises from cash balances. All loans receivable at amortised cost are fixed rate loans. The potential impact of a change in interest rates by +/-1% on profit has been disclosed in a table below.

Consolidated - 30 Jun 2021	Basis points increase Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	156	156	(100)	(156)	(156)

Consolidated - 30 Jun 2020	Basis points increase Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	785	785	(100)	(785)	(785)
Loans receivable at amortised cost	100	99	99	(100)	(99)	(99)
		884	884		(884)	(884)

Active REIT - 30 Jun 2021	Basis points increase Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	5	5	(100)	(5)	(5)

Active REIT - 30 Jun 2020	Basis points increase Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	21	21	(100)	(21)	(21)
Loans receivable at amortised cost	100	100	100	(100)	(100)	(100)
		121	121		(121)	(121)

Note 18. Financial instruments (continued)

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

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Cash and cash equivalents	15,605	78,484	540	2,114
Receivables	819	612	803	474
Loans receivable at amortised cost	7,025	52,321	7,025	9,876
	23,449	131,417	**8,368**	12,464

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. At reporting date, there has been no significant deterioration in the credit risk of financial assets and nothing is credit impaired, and all amounts are expected to be received in full.

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

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

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

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

Remaining contractual maturities

Consolidated - 30 Jun 2021	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	2,858	-	-	-	2,858
Distribution payable	2,066	-	-	-	2,066
Contingent consideration	-	3,934	-	-	3,934
Total non-derivatives	**4,924**	**3,934**	**-**	**-**	**8,858**

Consolidated - 30 Jun 2020	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	215	-	-	-	215
Distribution payable	3,123	-	-	-	3,123
Total non-derivatives	3,338	-	-	-	3,338

Note 18. Financial instruments (continued)

Active REIT - 30 Jun 2021	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	2,561	-	-	-	2,561
Contingent consideration	-	3,934	-	-	3,934
Total non-derivatives	**2,561**	**3,934**	**-**	**-**	**6,495**

Active REIT - 30 Jun 2020	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	77	-	-	-	77
Total non-derivatives	77	-	-	-	77

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Fair value measurement

Fair value hierarchy
The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 30 June 2021. The fair values of receivables, trade and other payables and distributions payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following tables detail the consolidated entity's and Fund's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
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)

Consolidated - 30 Jun 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	116,055	-	6,111	122,166
Total assets	**116,055**	-	**6,111**	**122,166**
Liabilities				
Contingent consideration	-	-	3,934	3,934
Total liabilities	**-**	-	**3,934**	**3,934**

Consolidated - 30 Jun 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	6,305	-	11,021	17,326
Total assets	6,305	-	11,021	17,326

Note 19. Fair value measurement (continued)

Active REIT - 30 Jun 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit of loss	116,055	-	6,111	122,166
Total assets	**116,055**	-	**6,111**	**122,166**
Liabilities				
Contingent consideration	-	-	3,934	3,934
Total liabilities	**-**	-	**3,934**	**3,934**

Active REIT - 30 Jun 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	3,260	-	11,021	14,281
Total assets	3,260	-	11,021	14,281

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.

There were no transfers between Level 1 and Level 2 fair value measurements during the year. During the year the Fund disposed of $7.7 million in unlisted securities, as well as acquiring new unlisted securities totalling $2.8 million. During the year the Fund recognised a contingent consideration liability of $3.9 million in relation to its investment in PMG. There were 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 & liabilities
For fair value profit or loss financial assets, the Fund 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. The fair value of the unlisted shares are based on the unit price per share of net tangible assets of the investment. The fair value of the contingent consideration is measured using a discounted cash flow model at the balance date. The fair value assessment of the unlisted shares and contingent consideration includes the best estimate of the impacts of the COVID-19 pandemic using information available at the balance date.

Note 20. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries controlled by the consolidated entity's parent, 360 Capital Passive REIT:

Name	Principal place of business / Country of incorporation	Ownership interest 30 Jun 2021 %	Ownership interest 30 Jun 2020 %
360 Capital Active REIT[1]	Australia	100%	100%
360 Capital TOT Residential Pty Limited[2]	Australia	100%	100%
URB Investments Pty Limited[2]	Australia	100%	100%
360 Capital Whiskey Trust[2]	Australia	100%	-
360 Capital IG Trust[2]	Australia	100%	-
360 Capital TOT Finance Trust	Australia	100%	100%
360 Capital Private Debt Fund	Australia	100%	100%

1. 360 Capital Active REIT forms part of the stapled entity 360 Capital REIT, which is a consolidated entity and units are held by Securityholders.
2. Entities controlled by stapled entity 360 Capital Active REIT which forms part of the consolidated entity's financial results.

Note 20. Controlled entities (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries controlled by 360 Capital Active REIT:

Name	Principal place of business / Country of incorporation	Ownership interest 30 Jun 2021 %	Ownership interest 30 Jun 2020 %
360 Capital TOT Residential Pty Limited	Australia	100%	100%
URB Investments Pty Limited	Australia	100%	100%
360 Capital Whiskey Trust	Australia	100%	-
360 Capital IG Trust	Australia	100%	-

Note 21. Business combinations

There were no business combinations during the year. Business combinations in the previous period are detailed below.

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 TOT stapled units under scrip consideration were issued on 20 December 2019.

Details of the purchase consideration to acquire URB on 20 December 2019 were as follows:

	Fair value $'000
Units issued (64,246,737 at $1.09)	70,029
Financial assets at fair value through profit or loss	9,240
Net assets attributable to unitholders acquired	**79,269**
Goodwill	-
Acquisition-date fair value of the total consideration transferred	**79,269**

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

	Fair value $'000
Cash and cash equivalents	53,438
Receivables	30
Financial assets at fair value through profit or loss	32,317
Other current assets	608
Trade and other payables	(42)
Deferred tax liability	(1,984)
Other current liabilities	(585)
Net assets attributable to unitholders acquired	**83,782**
Discount on acquisition	(4,513)
Acquisition-date fair value of the total consideration transferred	**79,269**

Note 21. Business combinations (continued)

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 fair value at the date of acquisition.

A bargain on purchase of URB of $4.5 million was 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.

Note 22. Commitments and contingencies

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Capital commitments				
Committed at the reporting date but not recognised as liabilities, payable:				
Underwriting commitment	6,513	-	6,513	-
Loan commitments - secured loans	-	2,291	-	-

At 30 June 2021 the Fund had executed an underwriting agreement for NZ$7.0 million relating to a capital raise for an unlisted fund in New Zealand managed by PMG. In July 2021 the transaction settled with the Fund acquiring units to the value of NZ$4.9 million.

Contingencies
There are no contingent liabilities as at 30 June 2021 (2020: Nil).

Note 23. Events after the reporting period

The Distribution Reinvestment Plan was opened for the June quarter distribution. In July 2021, 2.1 million securities were issued at a price of $0.96.

In July 2021, the Fund participated in a capital raise for one of PMG's unlisted funds as an underwriter, investing NZ$4.9 million into an unlisted property fund. Post balance date the Fund disposed of NZ$2.2 million units in the PMG unlisted fund it held at 30 June 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Fund:

	Consolidated		Active REIT	
	30 Jun 2021 $	30 Jun 2020 $	30 Jun 2021 $	30 Jun 2020 $
Fees to Ernst & Young (Australia)				
Fees for auditing the statutory financial report of the parent and consolidated group	100,000	100,000	50,000	50,000
Other services - Ernst & Young (Australia)				
Fees for other assurance services and agreed-upon-procedure services (including sustainability assurance) under contractual arrangements where there is discretion as to whether the service is provided by the auditor	18,600	18,600	8,000	8,000
Fees for other advisory and compliance services	4,000	4,000	4,000	4,000
	22,600	22,600	12,000	12,000
Total fees to Ernst & Young Australia	**122,600**	122,600	**62,000**	62,000

Note 25. Earnings per security

Consolidated	30 Jun 2021 $'000	30 Jun 2020 $'000
Profit after income tax attributable to the securityholders of 360 Capital REIT	9,235	10,429
	Number '000	**Number '000**
Weighted average number of ordinary securities used in calculating basic earnings per security	138,125	108,668
Weighted average number of ordinary securities used in calculating diluted earnings per security	138,125	108,668
	Cents	**Cents**
Basic earnings per security	**6.7**	9.6
Diluted earnings per security	**6.7**	9.6

Active REIT	30 Jun 2021 $'000	30 Jun 2020 $'000
Profit after income tax attributable to the securityholders of 360 Capital REIT	8,582	4,238
	Number '000	**Number '000**
Weighted average number of ordinary securities used in calculating basic earnings per security	138,125	108,668
Weighted average number of ordinary securities used in calculating diluted earnings per security	138,125	108,668
	Cents	**Cents**
Basic earnings per security	**6.2**	3.9
Diluted earnings per security	**6.2**	3.9

Note 26. 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).

The registered office and the principal place of business of the Responsible Entity are:

Level 8, 56 Pitt Street, Sydney NSW 2000 Australia

Controlled entities
Interests in associates are set out in Note 20.

Note 26. Related party transactions (continued)

Responsible Entity's fees and other transactions

	Consolidated		Active REIT	
	30 June 2021 $	30 June 2020 $	30 June 2021 $	30 June 2020 $
Management of the fund				
Management fee	1,043,010	899,533	674,307	164,850
Acquisition/Disposal fees	100,575	231,750	100,575	231,750
Performance fees	2,377,815	-	2,163,840	-
Fund recoveries	6,952	18,506	3,476	8,976
	3,528,352	1,149,789	**2,942,198**	405,576

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 is 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 is entitled to a Disposal Fee of up to 1.0% of the total sale price of investments sold by the Fund. The disposal fee is payable upon the completion of the relevant sale.

During the year, the Responsible Entity was entitled to acquisition and disposal fees of $1,710,887 relating to the Fund's investments in PPC and IAP however no fees were charged.

Indirect costs: The Responsible Entity is entitled to recover indirect costs, being any amounts that directly or indirectly reduce the returns on the units of the Fund, or the amount of income or assets of the Fund.

Securityholdings
Securities held by the Responsible Entity and other Funds managed by and related to the Responsible Entity held stapled securities in the Fund and Active REIT are as follows:

	30 June 2021 %	30 June 2021 units	30 Jun 2020 %	30 Jun 2020 units
360 Capital Property Limited				
Stapled securities held	20.2%	27,785,491	20.0%	27,785,491

Distributions
Distributions paid by the Fund to the Responsible Entity and other Funds managed by and related to the Responsible Entity are as follows. No distributions were paid by the Active REIT.

	Consolidated		Active REIT	
	30 June 2021 $	30 June 2020 $	30 June 2021 $	30 June 2020 $
Distributions paid/payable by the Fund	833,565	1,040,640	-	-

Related party loan
The Active REIT has a loan from the Passive REIT which relates to the working capital requirements between the two stapled entities. The balance of the loan payable at 30 June 2021 is $106,663,868 (2020: $9,027,369 million). This loan is non-interest bearing and at call.

Note 26. Related party transactions (continued)

Joint Venture
During the year the Fund acquired a 50% holding in PMG Holdings Limited (PMG) for NZ$17.5 million. In addition to the purchase price is a loan a $3.9 million loan to PMG equivalent to the amount of contingent consideration payable under the contract. Contingent consideration is payable to PMG shareholding upon the reaching of certain milestones under the contract. At the balance date, the Fund considers it highly probable that these milestones will be met and as a result has recognised a liability for this amount.

In April 2021 the Fund participated as an underwriter in the capital raise for one of PMG's unlisted property funds in New Zealand. The Fund received an underwriting fee of $278,873 and invested $2,786,167 into the unlisted vehicle. In June the Fund disposed of part of its holding and at the balance date its investment in the unlisted vehicle totals $2,334,084. Post balance date the Fund disposed of a further NZ$2.2 million units

In July 2021, the Fund participated in a capital raise for one of PMG’s unlisted funds as an underwriter, investing NZ$4.9 million into an unlisted property fund.

Key management personnel
The Fund does not employ personnel in its own right. However, it has an incorporated Responsible Entity, 360 Capital FM Limited, to manage the activities of the Fund. The directors and key management personnel (KMP) of the Responsible Entity are detailed below. No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Responsible Entity.

As part of the directorship of PMG, the following KMP Tony Pitt, Glenn Butterworth and James Storey receive director fees. For the year ended 30 June 2021, each aforementioned director received fees of NZ$19,423.

Tony Pitt and James Storey also received director fees of $43,462 and $40,000 respectively for the year ended 30 June 2021 in respect of associated company Dealt Limited (ASX:DET), of which an ownership interest is held through joint venture TGP TOT JV Pty Limited.

Payments made by the Fund to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel. The directors of the Responsible Entity during the year were as follows:

- David van Aanholt (Chairman)
- Tony Robert Pitt
- William John Ballhausen
- Graham Ephraim Lenzner - retired 31 March 2021
- Andrew Graeme Moffat

Management personnel securityholdings
The number of securities held directly or indirectly by Directors, Key Management Personnel and their related parties as at 30 June 2021 are as follows:

Name	Position	30 June 2020 Equity Holding	Acquisitions/ Disposals	30 June 2021 Equity Holding
David van Aanholt	Director	26,016	-	**26,016**
Tony Robert Pitt	Director	936,148	100,000	**1,036,148**
William John Ballhausen	Director	120,000		**120,000**
Graham Ephraim Lenzner[1]	Director	153,907	(153,907)	**-**
Andrew Graeme Moffat	Director	430,956	100,000	**530,956**
Glenn Butterworth	KMP	47,485	-	**47,485**
James Storey	KMP	32,307	60,695	**93,002**

1. Graham Lenzner retired from the Board on 31 March 2021

Note 27. Parent entity disclosures

The following details information relating to the parent entity 360 Capital Passive REIT (Consolidated) and 360 Capital Active REIT (Active REIT). The information presented below has been prepared using the consistent accounting policies as presented in Note 28.

Note 27. Parent entity disclosures (continued)

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets	15,087	118,950	4,628	2,026
Non-current assets	128,637	34,040	109,920	98,440
Total assets	**143,724**	152,990	**114,548**	100,466
Current liabilities	2,368	3,252	2,262	1,746
Non-current liabilities	-	-	83,486	69,542
Total liabilities	**2,368**	3,252	**85,748**	71,288
Issued capital	155,050	155,806	24,540	24,713
Retained earnings	(13,694)	(6,068)	4,260	4,465
Total equity	**141,356**	149,738	**28,800**	29,178

	Consolidated		Active REIT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Net (loss)/profit for the year	(653)	5,622	205	4,129
Total comprehensive profit for the year attributable to securityholders	**(653)**	5,622	**205**	4,129

Note 28. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The following amendments to the Australian Accounting Standards (AAS) are applicable to this Financial Report.

- AASB 2018-6 Amendments to AASs *Definition of a Business*
- AASB 2018-7 Amendments to AASs *Definition of Material*
- AASB 2019-1 Amendments to AASs *References to the Conceptual Framework*

These amendments have been deemed not to have a material impact to the Fund.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
Statement of compliance
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Note 28. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 16.

Stapled group reports
360 Capital REIT is an entity of the kind referred to in ASIC Corporations (Stapled Group Reports) Instrument 2015/838 issued by the Australian Securities and Investments Commission (ASIC). In accordance with that Instrument, amounts in the annual financial report and Responsible Entity report include the consolidated results of 360 Capital REIT alongside the results of the Active REIT presented in adjacent columns.

Rounding
360 Capital REIT is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Basis of consolidation
Stapling
On 21 April 2015, 360 Capital REIT was formed by stapling together the units of the 360 Capital Passive REIT, formerly 360 Capital Total Return Passive Fund, and the units of 360 Capital Active REIT, formerly 360 Capital Total Return Active Fund. The Fund was subsequently listed on 22 April 2015. Following approval at a CJT unitholder meeting held on 21 January 2015, CJT was restructured including the acquisition by the Passive Fund of all issued units in CJT, the issue of 1 Passive Fund unit for every 100 CJT units, and the stapling of each Passive Fund unit to an Active Fund unit.

The Fund has determined that the Passive Fund is the parent entity in the stapling arrangement.

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

The Constitutions of the Passive Fund and the Active Fund ensure that, for so long as these entities remain jointly listed, the number of units in the Passive Fund and the number of units in the Active Fund shall be equal and that securityholder in both funds be identical. Both the Responsible Entity of the Passive Fund and the Active Fund must at all times act in the best interest of consolidated entity.

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.

Controlled entities
The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Fund as at 30 June 2021 and the results of all controlled entities for the period then ended.

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

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

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

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

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

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

Note 28. Significant accounting policies (continued)

Segment reporting
Segment information is presented in respect of the Fund'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 Fund's management and internal reporting structure.

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

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

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

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

Sale of inventory
Revenue from the sale of apartments is recognised at a point in time when control is transferred to the customer.

Other income
Other income is recognised when the right to receive the revenue has been established.

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

Income tax
Passive Fund
Under current Australian income tax legislation, the Passive Fund is generally not liable for income tax provided their taxable income and taxable capital gains are fully distributed to securityholder each year. In the circumstances if a managed investment trust undertakes certain trading activities that trust may be liable to pay income tax.

Active Fund
The Active Fund may be subject to income tax due to its investment in active trading businesses. Income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction and deferred tax expense calculated by reference to changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 28. Significant accounting policies (continued)

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

The Fund assesses expected credit losses upon initial recognition of the financial asset with a forward-looking expected credit loss (ECL) approach. For trade and other receivables, the Fund applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Financial instruments
Financial assets and financial liabilities are recognised when a Fund entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures a financial assets and financial liabilities (other than trade receivables) at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are classified into the following specified categories: "Financial assets at amortised cost" and "Financial assets at fair value through profit or loss". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Note 28. Significant accounting policies (continued)

Financial assets at amortised cost
Loans receivable
Loans receivable which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans receivable are measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are carried at amortised cost using the effective interest method under AASB 9. Gains and losses are recognised in the consolidated statement of financial performance when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

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

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

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

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Impairment of financial assets
Under AASB 9, the Fund's accounting for impairment losses for financial assets comprises a forward-looking expected credit loss (ECL) approach as prescribed by AASB 9. The Fund has applied the simplified approach and recorded lifetime expected losses on trade receivables. The ECL on trade and other receivables is immaterial.

For loans receivable financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Fund has established a provision model which includes assessing the credit rating of each borrower to determine the probability of default, loss given default and exposure at default, taking into account sensitivity factors to work out the ECL provision for each loan receivable.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 28. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax (GST)
Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

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

- The consolidated financial statements and notes that are set out on pages 11 to 44 are in accordance with the Corporations Act 2001, including:
    - giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
    - complying with Australian Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- There are reasonable grounds to believe that the Fund will be able to pay its debts when they become due and payable.
- The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2021.
- The Directors draw attention to Note 28 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

David van Aanholt	Tony Robert Pitt
Chairman	Managing Director

18 August 2021

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working world

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Independent auditor's report to the unitholders of 360 Capital REIT

Report on the audit of the financial report

Opinion

We have audited the financial report of 360 Capital REIT (the Group), which comprises 360 Capital Passive REIT and its controlled entities, and 360 Capital Active REIT (TOTA) and its controlled entities, which comprises:

- The Group consolidated statement of financial position as at 30 June 2021;
- The TOTA statement of financial position as at 30 June 2021;
- The Group consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;
- TOTA statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The directors' declaration.

In our opinion, the accompanying financial reports are in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Group's and TOTA's financial positions as at 30 June 2021 and of their financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

Investment in PMG Holdings

Why significant	How our audit addressed the key audit matter

The Group entered into a joint venture arrangement with PMG Holdings Limited in February 2021. The investment is equity accounted and has a carrying value of $19.2m at balance date.
 	
As disclosed in Note 10 of the financial report, a component of the consideration for the acquisition of PMG was contingent on future events. An amount of $3.9m, representing the assessed fair value of this contingent consideration, was provided for as a liability at 30 June 2021.
 	
The valuation of the contingent consideration is inherently subjective and sensitive to small changes in the assumptions adopted. We have, therefore, considered this a key audit matter due to the value of the investment and the level of judgment and complexity required in determining the fair value of the contingent consideration.
	Our audit procedures included the following:
	▸ Assessed the appropriateness of the classification of the investment as a joint venture and the initial measurement on acquisition via reference to the acquisition agreement and other governing documents.
	▸ Validated the share of equity accounted profits recognised for the year. This included:
	  ▸ Obtained an understanding of the key processes adopted by management to monitor the investment;
	  ▸ Considered the latest audited financial statements of PMG Holdings at 31 March 2021 and any changes in the investment up to year end;
	  ▸ Checked the accuracy of the calculation of the Fund's share of profits.
	▸ Assessed the treatment of the contingent consideration by performing the following:
	  ▸ Obtained an understanding of the key processes adopted by management to determine the fair value of the contingent consideration at acquisition date and at balance date;
	  ▸ Considered the key terms of the acquisition agreement that gave rise to the contingent consideration;
	  ▸ Evaluated the suitability of the management's valuation methodology in the context of the terms of the acquisition agreement;
	  ▸ Assessed forecast performance projections for PMG used in the contingent consideration calculation as outlined in the acquisition agreement. We compared these forecasts to the current performance of PMG and held discussions with management on expected future performance. We also considered the historical accuracy of the Group's cash flow forecasting and budgeting processes;
	  ▸ Evaluated management's conclusion that a provision should be recognised;
	▸ Considered the impact that COVID-19 has had on the performance of PMG.
	▸ Considered the appropriateness of the financial report disclosures.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Building a better working world

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

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

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

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

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

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

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
18 August 2021

The information below was prepared as at 9 August 2021.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
360 CAPITAL PROPERTY LIMITED	28,218,242	20.17
NATIONAL NOMINEES LIMITED	11,755,524	8.40
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,055,073	6.47
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	8,984,749	6.42
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,777,930	1.99
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	2,762,363	1.97
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	2,713,295	1.94
QUOTIDIAN NO 2 PTY LTD	1,091,650	0.78
BOND STREET CUSTODIANS LIMITED <LAMAN - D05019 A/C>	983,300	0.70
BNP PARIBAS NOMS (NZ) LTD <DRP>	900,000	0.64
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	865,917	0.62
AVANTEOS INVESTMENTS LIMITED <3041001 PETERS A/C>	847,458	0.61
INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVESTMENT FUND A/C>	825,000	0.59
J S MILLNER HOLDINGS PTY LIMITED	734,433	0.53
AVANTEOS INVESTMENTS LIMITED <3051367 INVESTMENTS A/C>	677,966	0.48
COWOSO CAPITAL PTY LTD <COWOSO SUPER FUND A/C>	539,225	0.39
PENTAGON CAPITAL PTY LIMITED	533,198	0.38
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX security A/C>	527,084	0.38
PACKA PTY LTD <PACKA TRUST A/C>	491,650	0.35
BT PORTFOLIO SERVICES LIMITED <THE STONE SUPER FUND A/C>	475,494	0.34
Total securities held by top 20 securityholders	**75,759,551**	**54.16**
Total securities on issue	**139,884,062**	**100.00**

b) Distribution of securityholders:

Number of securities held by securityholders	Number of holders	securities held	% of issued securities
1 to 1,000	370	92,939	0.07
1,001 to 5,000	780	2,383,422	1.70
5,001 to 10,000	571	4,699,407	3.36
10,001 to 100,000	1,284	40,701,810	29.10
100,001 and over	116	92,006,484	65.77
Totals	**3,121**	**139,884,062**	**100.00**

The total number of securityholders with less than a marketable parcel was 280 and they hold 20,526 securities.

c) Substantial securityholder notices:

Securityholder Name	Date of notice	securities held	% of issued securities
360 Capital Property Limited	20/12/2019	28,721,639	19.99
Washington H Soul Pattinson and Company Limited	20/12/2019	8,984,749	6.56
NAOS Asset Management Limited	3/08/2021	11,184,745	8.00

Term	Definition
$ or A$ or cents	Australian currency
360 Capital Passive REIT	The managed investment scheme (ARSN 602 304 432) that represents part of the stapled entity, 360 Capital REIT
360 Capital Active REIT	The managed investment scheme (ARSN 602 303 613) that represents part of the stapled entity, 360 Capital REIT
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the market operated by it as the context requires
ASX Guidelines	The ASX Principles of Good Corporate Governance and Best Practice Guidelines
Board	Board of Directors of the Responsible Entity
CGT	Capital gains tax
Constitution	The constitution of the Fund, as amended
Consolidated entity	360 Capital REIT, the stapled entity comprising 360 Capital Passive REIT and 360 Capital Active REIT
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer price index
Cps	Cents per Security
Director/s	A director of the Responsible Entity
Distribution yield	Rate of return derived by dividing distribution per Unit by the price
Earnings yield	Rate of return derived by dividing earnings per Unit by the price
AFCA	Australian Financial Complaints Authority
Fund Investment Committee	The committee established to oversee the Fund's investments, key recruitment and policies
FY	Financial year (1 July to 30 June)
Gross Proceeds	The aggregate of all moneys (including all rent, licence fees, outgoings and all other amounts) received from tenants and other occupants and users of the real property assets (held directly or indirectly) of the Fund
GST	Goods and services tax (Australia)
HY	Half Year (half year from 1 July to 31 December or 1 January to 30 June)
IFRS	International Financial Reporting Standards
NPI	Net property income
NTA	Net tangible assets as per the balance sheet
NTA per Security	Net tangible assets divided by the number of Securities on issue
Operating earnings	Operating earnings is statutory net profit adjusted for non-cash and significant items
p.a.	Per annum
Responsible Entity	360 Capital FM Limited (ABN 15 090 664 396, AFSL 221474)
YTD	Year to date

Parent Entity

360 Capital Passive REIT
ARSN 602 304 432

Directors & Officers
Non-Executive Directors

David van Aanholt (Chairman)
William John Ballhausen
Graham Ephraim Lenzner (retired 31 March 2021)
Andrew Graeme Moffat

Executive Director

Tony Robert Pitt (Managing Director)

Officers

Glenn Butterworth – Chief Financial Officer and Joint Company Secretary
Kimberley Child – Joint Company Secretary

Responsible Entity
360 Capital FM Limited
ACN 090 664 396
AFSL 221 474
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone 02 8405 8860
Email: investor.relations@360capital.com.au

Unit Registry
Boardroom Pty Limited
ACN 003 209 836
Grosvenor Place, Level 12, 255 George Street Sydney NSW 2000
Telephone 1300 082 130
Email: enquiries@boardroomlimited.com.au

Auditor
Ernst & Young
200 George Street Sydney NSW 2000

Website
www.360capital.com.au

360 Capital

Identifying
strategic investment
opportunities.

360capital.com.au