



ASX Release

17 February 2023

360 Capital REIT (ASX: TOT)

Appendix 4D for the half-year ended 31 December 2022

Page 1 of 2

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 4.2A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2022. 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 Interim Financial Report for the half-year ended 31 December 2022 is attached and forms part of this Appendix 4D.

Details of reporting period

Current reporting period: 1 July 2022 – 31 December 2022

Prior corresponding period: 1 July 2021 – 31 December 2021

Results announcement to the market

	31 Dec 2022 \$'000	31 Dec 2021 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	8,534	32,230	(23,696)	(73.5)
Profit/(loss) attributable to stapled securityholders for the year	(17,250)	21,146	(38,396)	(181.6)
Operating profit ¹	4,398	3,702	696	18.8

¹ Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for 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 Interim Financial Report.

	31 Dec 2022 Cents per security	31 Dec 2021 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	(12.1)	15.1	(27.2)	(180.1)
Operating profit per security	3.1	2.6	0.5	19.2



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Distributions

During the half-year, distributions made by the Fund to securityholders were in the form of fully franked distributions from Active REIT.

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	Amount per Security (cents)	Franked amount per security (cents)	Total paid \$'000	Record date	Date of payment
September 2022 quarterly distribution – fully franked	1.5	1.5	2,125	30 September 2022	27 October 2022
December 2022 quarterly distribution – fully franked	1.5	1.5	2,167	30 December 2022	25 January 2023
Total distribution for the half- year ended 31 December 2022	3.0	3.0	4,292		
September 2021 quarterly distribution – fully franked	1.5	1.5	2,098	30 September 2021	27 October 2021
December 2021 quarterly distribution – fully franked	1.5	1.5	2,110	31 December 2021	27 January 2022
Total distribution for the half- year ended 31 December 2021	3.0	3.0	4,208		

Net tangible asset per security

	31 Dec 2022 \$	31 Dec 2021 \$
NTA per security	1.15	1.26

Distribution Reinvestment Plan

During the period, the Fund activated its Distribution Reinvestment Plan (DRP) for the June 2022 and September 2022 quarterly distributions. The DRP has been deactivated since the September 2022 distribution.

Refer to Note 10 Issued capital of the Interim Financial Report.

Control gained or lost over entities during the half-year

Refer to Note 12 Controlled entities of the Interim Financial Report.

Details of associates and joint venture entities

During the half-year, the Fund disposed of non-core holdings in its only joint venture PMG Holdings Limited.

Refer to Note 5 Asset held for sale of the Interim Financial Report.



360 Capital



360 CAPITAL REIT

(ASX:TOT)

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2022

General information

The Interim Financial Report of 360 Capital REIT (Consolidated Entity or Fund) comprises the consolidated interim financial statements of 360 Capital Passive REIT (ARSN 602 304 432) (Passive REIT) and 360 Capital Active REIT (ARSN 602 303 613) (Active REIT) as well as their respective controlled entities. 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 security traded on the ASX. The stapled security cannot be traded or dealt with separately.

The Responsible Entity of the Fund is 360 Capital FM Limited (ABN 15 090 664 396) (AFS Licence No. 221474). The registered office and the principal place of business is Suite 3701, Level 37, 1 Macquarie Place, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Fund are disclosed in the Responsible Entity report.

The Interim Financial Report is presented in Australian dollars.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 February 2023.

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360 Capital REIT
Responsible entity report
For the half-year ended 31 December 2022

360 Capital



The Directors of 360 Capital FM Limited (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 half-year ended 31 December 2022. 360 Capital REIT comprises 360 Capital Passive REIT (Parent Entity or Passive REIT) and 360 Capital Active REIT (Active REIT) as well as their respective controlled entities.

Directors

The following persons were directors of 360 Capital FM Limited during the reporting period and up to the date of this report, unless otherwise stated:

Tony Robert Pitt (Executive Chairman)
David van Aanholt (Deputy Chairman)
William John Ballhausen
Andrew Graeme Moffat
Anthony Gregory McGrath

Principal activities

The Fund listed on the Australian Securities Exchange (ASX) in April 2015 as a unique fund investing in various forms of real estate assets. The Fund has since refined its strategy to invest in real estate equity and is focused on acquiring a diversified portfolio of well leased, income producing commercial real estate assets across Australia and New Zealand.

Operating and financial overview

Key financial highlights for the half-year ended 31 December 2022

Statutory net loss

\$17.3m

(Dec 2021: profit \$21.1 million)

Statutory net loss of \$17.3 million represents a 181.6% decrease from the prior period. The result included a \$17.1 million fair value loss on investment properties mainly comprising \$15.1 million in stamp duty costs and \$0.8 million of acquisition costs.

Operating profit

\$4.4m

(Dec 2021: \$3.7 million)

Operating profit¹ of \$4.4 million (equating to 3.1 cps) reflecting a \$0.7 million or 18.8% increase on the prior period. The current period result comprised net property income and a gain on disposal of PMG joint venture.

Distributions per security

3.0cps

(Dec 2021: 3.0 cps)

The Fund continues to maintain consistent income distributions of 3.0 cps for the half-year in line with the prior period.

Net tangible assets

\$1.15

per security
(Jun 2022: \$1.32)

The Fund's NTA of \$1.15 per security reflects a decrease of 17 cps or 12.9% from 30 June 2022. The decrease in NTA was contributed to by the write-off of stamp duty and other costs in relation to the acquisition of the investment properties.

ASX closing price

\$0.815

per security
(Jun 2022: \$0.775)

The Fund's closing price of \$0.815 per security was up from \$0.775 per security as at 30 June 2022.

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 half-year ended 31 December 2022

Investment Property
Portfolio
\$257.2m

The Fund has acquired 3 high quality, modern well leased investment properties valued at \$257.2 million. The acquisitions were funded from proceeds from the realisation of investments and a new \$105.0 million finance facility, drawn to \$83.8 million as at 31 December 2022.

Realisation of Investments
\$186.9m

During the period the Fund realised proceeds of \$186.9 million from the disposal of investments comprising Irongate Group (ASX:IAP) \$165.3 million and PMG joint venture \$21.6 million, averaging an Internal Rate of Return (IRR) of 31% per annum.

Financial overview

The Fund's statutory loss attributable to securityholders for the half-year was \$17.3 million (31 December 2021: profit \$21.1 million). The operating profit for the half-year was \$4.4 million (31 December 2021: \$3.7 million). The Fund's balance sheet as at 31 December 2022 had gross assets of \$268.5 million (30 June 2022: \$201.8 million).

Significant transactions

Disposal of Irongate Group securities

Following the approval of Charter Hall's Irongate Group acquisition proposal by IAP securityholders in June 2022, the Irongate Group scheme was implemented on 15 July 2022 and sale proceeds of \$165.3 million were paid to the Fund for its 86.98 million IAP stapled securities. The proceeds from the sale were subsequently used to partly fund the acquisition of 3 properties from the Irongate portfolio.

Sale of 50% interest in PMG Holdings Limited (PMG)

On 29 July 2022, the Fund entered into an unconditional share sale agreement for the sale of its 50% interest in PMG. The sale price was NZ\$22.0 million, plus 50% of PMG's NTA, with total proceeds equivalent to \$21.6 million, with exchange and completion occurring on 29 July 2022. As part of the sale NZ\$17.0 million of the consideration was deferred and was received on 24 August 2022.

Property Portfolio

During the period the Fund used proceeds from the realisation of investments together with a new debt facility to acquire 3 high quality, modern portfolio investment properties negotiated as part of the IAP transaction, comprising:

- 38 Sydney Ave, Forrest ACT for a gross purchase price of \$81.7 million, settled on 28 July 2022;
- 510 Church Street, Cremorne VIC for a gross purchase price of \$135.0 million (50% of ownership), settled on 12 August 2022; and
- 34 Southgate Ave, Cannon Hill QLD for a gross purchase price of \$40.5 million, settled on 19 September 2022.

The 3-asset portfolio has a Weighted Average Lease Expiry (WALE) of 7.3 years and is 91% occupied as at 31 December 2022. A summary of the Fund's investment property portfolio is detailed below:

38 Sydney Avenue, refurbished in 2018, is an A-grade office building comprising 8,696 sqm lettable area across 4 levels of office accommodation, ground floor retail and 82 car parks. The major tenant is the Australian National Audit Office which occupies 54.9% of the lettable area with a lease expiring in December 2034. The property has an 8.6-year WALE and weighted average rent reviews of 3.5% p.a. The building has a NABERS Energy rating of 4.5 stars and NABERS Water rating of 5 stars.

510 Church Street is a brand-new A-grade office building comprising 19,805 sqm of lettable area across 9 levels of office accommodation, ground floor retail and 145 car parks. The property has a diverse tenant mix, a 6.6 year WALE and weighted average rent reviews of 3.0% p.a. The property was constructed to achieve a 5 Star NABERS Energy Rating and 5 Star Green Star Design Rating.

34 Southgate Avenue is a brand-new A-grade office building comprising 3,585 sqm of lettable area across 3 levels of commercial accommodation and 153 car parks. The building and tenant fit out works were completed in September 2022. The whole property is leased to Michael Hill Jewellers (ASX:MHJ) with 9.7 years remaining with 3.0% fixed annual rent reviews.

Capital management

The Fund issued 3,752,846 additional securities raising \$2.9 million during the half-year (31 December 2021: 2,943,934 securities). Securities were issued in relation to the Distribution Reinvestment Plan (DRP) for the June 2022 and September 2022 quarterly distributions, at an average issue price per security of \$0.78 and \$0.77 respectively.

On 21 July 2022, the Fund has executed a loan facility agreement with an Australian bank for a facility limit of \$105 million to fund the purchase of the 3 investment properties. The bank loan is secured by the 3 investment properties and was drawn to \$83.8 million as at 31 December 2022.

Strategy and Outlook

The Fund remains focused executing on the leasing objectives within its property portfolio over the balance of the year and will continue to investigate potential capital management initiatives and acquisition opportunities.

Economic and market pressures persist from the current high inflation and increasing interest rate environment, resulting in sales transaction volumes slowing. To date there remains limited sales evidence as to the impact on property valuations. It is likely that if interest rate increases persist there may be impacts to property valuations. To an extent, the Fund is protected due to continued demand for high quality, well-leased assets in core locations and the Fund expects its high quality portfolio to outperform secondary assets and portfolios should volatile macroeconomic conditions persist.

Distributions

During the half-year, distributions made by the Fund to securityholders were in the form of fully franked dividends from Active REIT. There were no distributions paid from Passive REIT. Distributions paid or payable during the period were as follows:

	Date of payment	Cents per unit	31 Dec 2022 \$'000	31 Dec 2021 \$'000
September 2022 quarter fully franked dividend	27/10/2022	1.50	2,125	-
December 2022 quarter fully franked dividend	25/01/2023	1.50	2,167	-
Total dividends for the half-year ended 31 December 2022		3.00	4,292	-
September 2021 quarter fully franked dividend	27/10/2021	1.50	-	2,098
December 2021 quarter fully franked dividend	27/01/2022	1.50	-	2,110
Total dividends for the half-year ended 31 December 2021		3.00	-	4,208

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the half-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 as in line with the Funds stated strategy.

Number of interests on issue

As at 31 December 2022 the number of securities on issue in the Fund was 144,436,537 (31 December 2021: 140,683,691).

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 half-year there were no security buy-backs (2021: Nil units).

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2022 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.

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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Tony Robert Pitt
 Executive Chairman



David van Aanholt
 Deputy Chairman

17 February 2023

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 review of the half-year financial report of 360 Capital REIT and 360 Capital Active REIT for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Douglas Bain
Partner
17 February 2023

360 Capital REIT
Consolidated interim statements of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

360 Capital
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	Note	Consolidated		Active REIT	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
		\$'000	\$'000	\$'000	\$'000
Revenue					
Rental income	3	5,699	-	-	-
Distribution income		44	3,823	44	3,823
Sale of Inventory		-	3,020	-	3,020
Finance revenue		189	176	161	171
Underwriting fee income		-	193	-	193
Total revenue from continuing operations		5,932	7,212	205	7,207
Share of profits of investments accounted for using the equity method		-	796	-	796
Net fair value gain on financial assets		-	23,988	-	23,982
Gain on foreign exchange		4	158	4	158
Net gain on disposal of financial assets		2,577	37	2,577	37
Other income		21	39	21	38
Total revenue from continuing operations and other income		8,534	32,230	2,807	32,218
Expenses					
Cost of sales		-	(2,835)	-	(2,835)
Property expenses and outgoings		(811)	(163)	-	(163)
Transaction costs		(6,305)	(338)	(3,618)	(305)
Administration expenses		(205)	(234)	(94)	(143)
Management fees		(856)	(578)	(127)	(557)
Finance costs		(1,627)	(2)	-	(2)
Net fair value loss on financial assets	7	(23)	-	(23)	-
Net fair value loss on investment properties	8	(17,049)	-	-	-
Total expenses		(26,876)	(4,150)	(3,862)	(4,005)
Profit/(loss) before income tax (expense)/benefit		(18,342)	28,080	(1,055)	28,213
Income tax (expense)/benefit	4	1,092	(6,934)	1,092	(6,934)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the securityholders of 360 Capital REIT		(17,250)	21,146	37	21,279
Other comprehensive income for the half-year, net of tax		-	-	-	-
Total comprehensive income for the half-year attributable to the securityholders of 360 Capital REIT		(17,250)	21,146	37	21,279
Total comprehensive income attributable to:					
		Consolidated		Active REIT	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Unitholders of 360 Capital Passive REIT		(17,287)	(133)	-	-
Unitholders of 360 Capital Active REIT		37	21,279	37	21,279
		(17,250)	21,146	37	21,279
		Cents	Cents		
Basic earnings per security		(12.1)	15.1		
Diluted earnings per security		(12.1)	15.1		

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

360 Capital REIT
Consolidated interim statements of financial position
As at 31 December 2022

	Note	Consolidated		Active REIT	
		31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Assets					
Current assets					
Cash and cash equivalents		6,222	10,839	2,765	8,917
Receivables		367	546	47	535
Assets held for sale	5	-	18,892	-	18,892
Financial assets at fair value through profit or loss - current	6	-	166,719	-	166,719
Related party loan	15	-	-	67,975	-
Total current assets		6,589	196,996	70,787	195,063
Non-current assets					
Financial assets at fair value through profit or loss - non current	7	4,748	4,771	4,748	4,771
Investment properties	8	257,151	-	-	-
Total non-current assets		261,899	4,771	4,748	4,771
Total assets		268,488	201,767	75,535	199,834
Liabilities					
Current liabilities					
Trade and other payables		3,842	502	95	433
Provision for Income tax		12,109	216	12,109	216
Distribution payable		2,167	2,110	2,167	2,110
Related party loan	15	-	-	-	119,416
Total current liabilities		18,118	2,828	14,371	122,175
Non-current liabilities					
Borrowings	9	83,320	-	-	-
Deferred tax liabilities		590	13,827	590	13,827
Total non-current liabilities		83,910	13,827	590	13,827
Total liabilities		102,028	16,655	14,961	136,002
Net assets		166,460	185,112	60,574	63,832
Equity					
Issued capital	10	185,217	182,327	26,194	25,197
Retained profits/(accumulated losses)		(18,757)	2,785	34,380	38,635
Total equity		166,460	185,112	60,574	63,832

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

360 Capital REIT
Consolidated interim statements of changes in equity
For the half-year ended 31 December 2022

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Consolidated	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021		179,589	(22,511)	157,078
Profit after income tax expense for the half-year		-	21,146	21,146
Other comprehensive income for the half-year, net of tax		-	-	-
Total comprehensive income for the half-year		-	21,146	21,146
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Contributions of equity, net of transaction costs		2,757	-	2,757
Distributions		-	(4,208)	(4,208)
Equity transaction costs		(19)	-	(19)
Balance at 31 December 2021		182,327	(5,573)	176,754

Consolidated	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022		182,327	2,785	185,112
Loss after income tax benefit for the half-year		-	(17,250)	(17,250)
Other comprehensive income for the half-year, net of tax		-	-	-
Total comprehensive income for the half-year		-	(17,250)	(17,250)
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Issued securities	10	2,905	-	2,905
Distributions		-	(4,292)	(4,292)
Equity transaction costs		(15)	-	(15)
Balance at 31 December 2022		185,217	(18,757)	166,460

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

360 Capital REIT
Consolidated interim statements of changes in equity
For the half-year ended 31 December 2022

360 Capital
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Active REIT	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021		24,540	13,156	37,696
Profit after income tax expense for the half-year		-	21,279	21,279
Other comprehensive income for the half-year, net of tax		-	-	-
Total comprehensive income for the half-year		-	21,279	21,279
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Contributions of equity, net of transaction costs		662	-	662
Distributions		-	(4,208)	(4,208)
Equity transaction costs		(5)	-	(5)
Balance at 31 December 2021		25,197	30,227	55,424
Active REIT	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022		25,197	38,635	63,832
Profit after income tax benefit for the half-year		-	37	37
Other comprehensive income for the half-year, net of tax		-	-	-
Total comprehensive income for the half-year		-	37	37
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Issued securities	10	1,002	-	1,002
Distributions		-	(4,292)	(4,292)
Equity transaction costs		(5)	-	(5)
Balance at 31 December 2022		26,194	34,380	60,574

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

360 Capital REIT
Consolidated interim statements of cash flows
For the half-year ended 31 December 2022

	Consolidated		Active REIT	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	7,110	649	-	649
Payments to suppliers and employees (inclusive of GST)	(1,293)	(3,718)	(489)	(3,377)
Dividends and distributions received	44	5,128	44	5,154
Finance revenue	189	253	161	249
Proceeds from inventory	-	3,020	-	3,020
Interest and other finance costs paid	(1,572)	(2)	-	(2)
Income taxes paid	(253)	(1,483)	(253)	(1,483)
Net cash from/(used in) operating activities	4,225	3,847	(537)	4,210
Cash flows from investing activities				
Payments for financial assets	-	(15,583)	-	(15,144)
Payments for equity accounted investments	-	(216)	-	(216)
Payment for investment properties	(273,295)	-	-	-
Proceeds from disposal of investments	166,728	7,063	166,728	7,063
Loans receivable repaid	-	3,200	-	3,200
Payments for transaction costs	(6,350)	-	(3,663)	-
Proceeds from disposal of equity accounted investments	21,620	593	21,620	593
Net cash from/(used in) investing activities	(91,297)	(4,943)	184,685	(4,504)
Cash flows from financing activities				
Proceeds from issue of securities	1,393	1,434	481	662
Proceeds from borrowings	87,800	-	-	-
Repayment of borrowings	(4,000)	-	-	-
Security issue transaction costs	(15)	(20)	(5)	(5)
Distributions paid	(2,723)	(2,841)	(1,811)	(2,098)
Proceeds from borrowings from related entity	-	-	(188,965)	8,627
Net cash from/(used in) financing activities	82,455	(1,427)	(190,300)	7,186
Net increase/(decrease) in cash and cash equivalents	(4,617)	(2,523)	(6,152)	6,892
Cash and cash equivalents at the beginning of the financial half-year	10,839	15,605	8,917	540
Cash and cash equivalents at the end of the financial half-year	6,222	13,082	2,765	7,432

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

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360 Capital REIT
Notes to the consolidated interim financial statements
For the half-year ended 31 December 2022

Note 1. Operating segments

Identification of reportable operating segments

The Fund invests solely in the property sector within Australia and New Zealand.

The Chief Operating Decision Maker, being the Executive Chairman 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 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 securityholder of the Fund and operating profit.

	Consolidated	
	31 Dec 22	31 Dec 21
	\$'000	\$'000
Profit attributable to stapled securityholders of the Fund	(17,250)	21,146
Non-operating items		
Net (gain)/loss on disposal of financial assets	-	(37)
Net (gain)/loss on fair value of financial assets ¹	-	(23,988)
Net (gain)/loss on foreign exchange	(4)	(158)
Reversal of loss allowance on loans receivable	-	(40)
Net loss on fair value of investment properties	17,071	-
Acquisition and transaction costs	6,305	475
Rent straightlining adjustments	(661)	-
Lease incentive amortisation	17	-
Share of profit relating to non-operating items	-	42
Tax expense on non-operating items	(1,080)	6,262
Operating profit (profit before non-operating items)²	4,398	3,702
Weighted average number of stapled securities ('000)	142,532	139,856
Operating profit (profit before non-operating items) per stapled security - cents	3.1	2.6

1. Gain on fair value of investment in Irongate Group (IAP)

2. 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

During the half-year, distributions made by the Fund to securityholders were in the form of fully franked dividends from Active REIT. There were no distributions paid from Passive REIT. Distributions paid or payable during the period were as follows:

	Date of payment	Cents per unit	31 Dec 2022	31 Dec 2021
			\$'000	\$'000
September 2022 quarter fully franked dividend	27/10/2022	1.50	2,125	-
December 2022 quarter fully franked dividend	25/01/2023	1.50	2,167	-
Total dividends for the half-year ended 31 December 2022		3.00	4,292	-
September 2021 quarter fully franked dividend	27/10/2021	1.50	-	2,098
December 2021 quarter fully franked dividend	27/01/2022	1.50	-	2,110
Total dividends for the half-year ended 31 December 2021		3.00	-	4,208

Note 3. Rental income

	Consolidated		Active REIT	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000
Rental income	4,768	-	-	-
Recoverable outgoings	270	-	-	-
Rent straightlining adjustments	661	-	-	-
	5,699	-	-	-

Note 4. Income tax expense/(benefit)

	Consolidated		Active REIT	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>				
Profit/(loss) before income tax (expense)/benefit	(18,342)	28,080	(1,055)	28,213
Tax at the statutory tax rate of 30% (2021: 25%)	(5,503)	7,020	(317)	7,053
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Tax-deferred distributions	-	5	-	5
Trust losses exempt from income tax	5,186	33	-	-
Gain on sale of active foreign business	(712)	-	(712)	-
Loss on sale of unlisted portfolio	(129)	-	(129)	-
Reversal of loss allowance on financial asset	-	(10)	-	(10)
Transaction costs	(14)	-	(14)	-
Equity accounted profits	-	(199)	-	(199)
Foreign exchange gains	(12)	(20)	(12)	(20)
	(1,184)	6,829	(1,184)	6,829
Adjustment to deferred tax balances as a result of change in statutory tax rate	84	(45)	84	(45)
Adjustment for deferred tax of prior years	8	150	8	150
Income tax expense/(benefit)	(1,092)	6,934	(1,092)	6,934

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Note 5. Asset held for sale

	Consolidated		Active REIT	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000
<i>Current assets</i>				
Assets held for sale	-	18,892	-	18,892
<i>Reconciliation</i>				
Reconciliation of the written down values at the beginning and end of the current and previous periods are set out below:				
Opening balance	18,892	-	18,892	-
Reclassification from investment accounted for using the equity method	-	18,892	-	18,892
Proceeds from disposal	(21,620)	-	(21,620)	-
Gain on disposal	2,728	-	2,728	-
Closing balance	-	18,892	-	18,892

The Fund disposed its 50% interest in PMG Holdings Limited (PMG) on 29 July 2022 with a consideration of NZD\$22 million plus 50% of net tangible asset of PMG as at 31 July 2022, totalling \$21.6 million. As part of the sale NZD\$17 million of the consideration was deferred and subject to an 8.0% p.a. interest rate. The deferred consideration was subsequently received on 24 August 2022. The Fund recognised a gain on disposal of \$2.7 million before selling costs.

Note 6. Financial assets at fair value through profit or loss - current

	Consolidated		Active REIT	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000
<i>Current assets</i>				
Investments in listed securities	-	165,256	-	165,256
Investments in unlisted securities	-	1,463	-	1,463
	-	166,719	-	166,719
<i>Reconciliation</i>				
Reconciliation of the fair values at the beginning and end of the current and previous periods are set out below:				
Balance at 1 July	166,719	6,111	166,719	6,111
Additions	-	7,286	-	7,286
Disposals	(166,728)	(8,183)	(166,728)	(8,183)
Fair value adjustment of financial assets	6	(3)	6	(3)
Gain on sale of financial assets	3	-	3	-
Reclassification from financial assets at fair value through profit or loss - non current	-	165,256	-	165,256
Reclassification to financial assets at fair value through profit or loss - non current	-	(3,748)	-	(3,748)
Closing fair value	-	166,719	-	166,719

Investment in listed securities

During the period the Fund realised \$165.3 million in proceeds following the implementation of the Charter Hall scheme of arrangement for the acquisition of the Irongate Group (ASX:IAP) on 15 July 2022, for its 12.84% holding in IAP.

As part of the Irongate Group transaction, the Fund entered into 'Put' & 'Call' arrangements to acquire a \$257.2 million portfolio of modern A-grade property assets.

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Note 6. Financial assets at fair value through profit or loss - current (continued)

Refer to Note 11 for further information on fair value measurement.

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

	Consolidated		Active REIT	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<i>Non-current assets</i>				
Investments in unlisted securities - non current	4,748	4,771	4,748	4,771

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	4,771	116,055	4,771	116,055
Additions	-	10,962	-	10,524
Disposals	-	(471)	-	-
Gain on sale of financial assets	-	44	-	-
Fair value adjustment of financial assets	(23)	39,689	(23)	39,700
Reclassification to financial assets at fair value through profit or loss - current	-	(165,256)	-	(165,256)
Reclassification from financial assets at fair value through profit or loss - current	-	3,748	-	3,748
Closing fair value	4,748	4,771	4,748	4,771

Refer to Note 11 for further information on fair value measurement.

Note 8. Investment properties

Property	Fair value		Capitalisation rate		Discount rate		Last independent valuer	Last valuation date
	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 22 %	30 Jun 22 %	31 Dec 22 %	30 Jun 22 %		
38 Sydney Ave, Forrest ACT	81,700	-	5.00%	-	6.00%	-	Directors	June 2022
510 Church St, Cremorne VIC	135,000	-	4.50%	-	5.75%	-	Directors	May 2022
34 Southgate Ave, Cannon Hill QLD	40,451	-	4.50%	-	5.50%	-	Directors	April 2022
Total	257,151	-						

During the period the Fund used proceeds from the realisation of investments together with a new debt facility of \$105.0 million to acquire 3 high quality, modern portfolio investment properties negotiated as part of the Irongate Group transaction, comprising:

- 38 Sydney Ave, Forrest ACT for a gross purchase price of \$81.7 million, settled on 28 July 2022;
- 510 Church Street, Cremorne VIC for a gross purchase price of \$135.0 million (50% of ownership), settled on 12 August 2022; and
- 34 Southgate Ave, Cannon Hill QLD for a gross purchase price of \$40.5 million, settled on 19 September 2022.

38 Sydney Ave, Forrest ACT

38 Sydney Avenue, refurbished in 2018, is an A-grade office building comprising 8,696 sqm lettable area across 4 levels of office accommodation, ground floor retail and 82 car parks. The major tenant is the Australian National Audit Office which occupies 54.9% of the lettable area with a lease expiring in December 2034. The property has an 8.6-year WALE and weighted average rent reviews of 3.5% p.a. The building has a NABERS Energy rating of 4.5 stars and NABERS Water rating of 5 stars.

Note 8. Investment properties (continued)

510 Church St, Cremorne VIC

510 Church Street is a brand-new A-grade office building comprising 19,805 sqm of lettable area across 9 levels of office accommodation, ground floor retail and 145 car parks. The property has a diverse tenant mix, a 6.6 year WALE and weighted average rent reviews of 3.0% p.a. The property was constructed to achieve a 5 Star NABERS Energy Rating and 5 Star Green Star Design Rating.

34 Southgate Ave, Cannon Hill QLD

34 Southgate Avenue is a brand-new A-grade office building comprising 3,585 sqm of lettable area across 3 levels of commercial accommodation and 153 car parks. The building and tenant fit out works were completed in September 2022. The whole property is leased to Michael Hill Jewellers (ASX:MHJ) for 9.7 years with 3.0% fixed annual rent reviews.

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Opening balance	-	-
Acquisition price	257,151	-
Stamp duty	15,146	-
Other acquisition costs	762	-
Additions	70	-
Lease incentives	427	-
Lease incentives amortisation	(17)	-
Rent straightlining adjustments	661	-
Fair value adjustments	(17,049)	-
Closing balance	257,151	-

Valuation techniques and significant unobservable inputs (Level 3)

The fair values of the investment properties were determined by the directors of the Responsible Entity or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Responsible Entity has also considered factors such as changes in downtime, incentive allowances, rental growth and rental relief when determining property valuations.

The Fund instructed external valuations of the properties for acquisition purposes, however as at 31 December 2022 the Fund internally valued the property portfolio and held them at director's valuations. The carrying values of the investment properties have not changed since acquisition.

The valuations were prepared by considering the following valuation methodologies:

- Capitalisation Approach: the annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach: this approach incorporates the estimation of future annual cash flows over a 10 year period by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- Direct Comparison Approach: this approach identifies comparable sales on a dollar per square meter of lettable area basis and compares the equivalent rates to the property being valued to determine the property's market value.

The valuations reflect, as appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

Note 8. Investment properties (continued)

A further sensitivity analysis was undertaken by the Trust to assess the fair value of investment. The table below illustrates the impact on valuation of movements in capitalisation rates:

Fair value at 31 Dec 2022 \$'000	Capitalisation rate	
	+0.25% \$'000	-0.25% \$'000
257,151	(13,124)	14,620

Given the unknown future impact that the current volatile macroeconomic conditions, including the high inflation and increasing interest rate environment, might have on the commercial real estate market and global market in general, a higher degree of judgement and consideration is required in assessing the significant inputs that determine property valuations. Management and external valuers acknowledge current valuations are subject to material valuation uncertainty because of this. To date, there has been little evidence to suggest that capitalisation and discount rates have softened. The Fund has continued to re-assess the valuation method to ensure appropriate consideration given to inputs used.

Note 9. Borrowings

	Consolidated		Active REIT	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<i>Non-current liabilities</i>				
Bank loans - secured	83,800	-	-	-
Borrowing costs	(480)	-	-	-
	83,320	-	-	-

On 21 July 2022, the Fund has signed a loan facility agreement with a bank for a facility limit of \$105 million to fund the purchase of the 3 investment properties. The bank loans are secured by first mortgages over the 3 investment properties.

Debt covenants

The Fund's borrowings are subject to a range of covenants, according to the facility agreement. The following covenants are included:

- Loan to value ratio: the borrowings amount must not exceed 50% of the fair value of the investment properties; and
- Interest coverage ratio: the ratio of net property income to finance costs on borrowings is not to be less than 1.8 times.

A breach of these covenants may trigger the voluntary prepayment of an amount to cure the covenant breach. The Fund performed a review of debt covenants as at 31 December 2022 and no breaches were identified.

Note 10. Issued capital

(a) Issued capital

	Consolidated			
	31 Dec 2022 Securities '000	30 Jun 2022 Securities '000	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Issued capital - trust units	144,437	140,684	185,217	182,327

	Active REIT			
	31 Dec 2022 Securities '000	30 Jun 2022 Securities '000	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Issued capital - trust units	144,437	140,684	26,194	25,197

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Note 10. Issued capital (continued)

(b) Movements in issued capital

Movements in issued capital - 360 Capital REIT

Details	Date	Securities '000	Issue price	\$'000
Balance	1 July 2021	137,740		179,589
Securities issued	28 July 2021	2,144	\$0.96	2,065
Transaction costs incurred with issue of securities	28 July 2021	-	\$0.00	(15)
Securities issued	27 October 2021	800	\$0.86	692
Transaction costs incurred with issue of securities	27 October 2021	-	\$0.00	(4)
Balance	31 December 2021	140,684		182,327

Details	Date	Securities '000	Average price	\$'000
Balance	1 July 2022	140,684		182,327
Securities issued	27 July 2022	1,004	\$0.78	780
Transaction costs incurred with issue of securities	27 July 2022	-	\$0.00	(4)
Securities issued	27 October 2022	2,749	\$0.77	2,125
Transaction costs incurred with issue of securities	27 October 2022	-	\$0.00	(11)
Balance	31 December 2022	144,437		185,217

Movements in issued capital - 360 Capital Active REIT

Details	Date	Securities '000	Average price	\$'000
Balance	1 July 2021	137,740		24,540
Securities issued	28 July 2021	2,144	\$0.23	496
Transaction costs incurred with issue of securities	28 July 2021	-	\$0.00	(4)
Securities issued	27 October 2021	800	\$0.21	166
Transaction costs incurred with issue of securities	27 October 2021	-	\$0.00	(1)
Balance	31 December 2021	140,684		25,197

Details	Date	Securities '000	Issue price	\$'000
Balance	1 July 2022	140,684		25,197
Securities issued	27 July 2022	1,004	\$0.27	269
Transaction costs incurred with issue of securities	27 July 2022	-	\$0.00	(1)
Securities issued	27 October 2022	2,749	\$0.27	733
Transaction costs incurred with issue of securities	27 October 2022	-	\$0.00	(4)
Balance	31 December 2022	144,437		26,194

c) Buy back

During the half-year the Fund did not buy back any securities (2021: \$Nil).

d) Distribution reinvestment plan

During the half-year the Fund issued securities twice in relation to its optional Distribution Reinvestment Plan (DRP) for the June 2022 and September 2022 quarterly distributions respectively as detailed above. The September 2022 quarterly distribution was fully underwritten.

Note 11. Fair value measurement of financial instruments

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 31 December 2022. 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 financial 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 - 31 December 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000

Assets

Financial assets at fair value through profit or loss	-	-	4,748	4,748
Total assets	-	-	4,748	4,748

Consolidated - 30 June 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000

Assets

Financial assets at fair value through profit or loss	166,688	-	4,802	171,490
Total assets	166,688	-	4,802	171,490

Active REIT - 31 December 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000

Assets

Financial assets at fair value through profit of loss	-	-	4,748	4,748
Total assets	-	-	4,748	4,748

Active REIT - 30 June 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000

Assets

Financial assets at fair value through profit of loss	166,688	-	4,802	171,490
Total assets	166,688	-	4,802	171,490

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 levels during the half-year. 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

The Fund invests in listed and unlisted investments which are carried at fair value through profit or loss. The value of the investments in the listed market is stated at unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments. Unlisted investments are not traded in an active market and are categorised as Level 3 instruments. The Net Tangible Assets (NTA) of the underlying investments is used as a basis for valuation however may be amended as deemed appropriate (e.g. when the NTA of the underlying investment is negative). The contingent consideration is valued based on the net present value of the expected future cashflows.

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Note 12. Controlled entities

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2022 %	30 Jun 2022 %
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 ³	Australia	-	100%
360 Capital IG Trust ²	Australia	100%	100%
360 Capital IG Investment Trust ⁴	Australia	100%	100%
360 Capital TOT Finance Trust	Australia	100%	100%
360 Capital Private Debt Fund	Australia	100%	100%
360 Capital REIT Property Trust ⁵	Australia	100%	100%

1. 360 Capital Active REIT forms part of the stapled entity 360 Capital REIT, which is a wholly consolidated entity however 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.

3. 360 Capital Whiskey Trust was terminated on 12 December 2022.

4. 360 Capital IG Investment Trust was established on 14 July 2021.

5. 360 Capital REIT Property Trust was established on 17 March 2022.

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	
		31 Dec 2022 %	30 Jun 2022 %
360 Capital TOT Residential Pty Limited	Australia	100%	100%
URB Investments Pty Limited	Australia	100%	100%
360 Capital Whiskey Trust ³	Australia	-	100%
360 Capital IG Trust	Australia	100%	100%

Note 13. Business combinations

There were no business combinations during the half-year.

Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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 15. 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:

Suite 3701, Level 37, 1 Macquarie Place, Sydney NSW 2000 Australia

Controlled entities

Interests in controlled entities are set out in Note 12.

Responsible Entity's fees and other transactions

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

Note 15. Related party transactions (continued)

	Consolidated		Active REIT	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$	\$	\$	\$
<i>Management of the fund</i>				
Management fee	855,862	576,571	126,781	556,633
Acquisition fees	2,571,509	-	-	-
Disposal fees	216,207	30,200	216,207	30,200
Fund recoveries	-	1,036	-	518
	3,643,578	607,807	342,988	587,351

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.

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.

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:

	31 Dec 2022	31 Dec 2022	30 Jun 2022	30 Jun 2022
	%	units	%	units
360 Capital Property Limited				
Stapled securities held	26.1%	37,658,054	24.5%	34,507,265

Distributions

Distributions paid and payable by the Fund to the Responsible Entity and other Funds managed by and related to the Responsible Entity are as follows.

	Consolidated		Active REIT	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$	\$	\$	\$
Distributions paid/payable by the Fund	1,092,468	941,744	1,092,468	941,744

Related party loan

The Active REIT has a loan with the Passive REIT which relates to the working capital requirements between the two stapled entities. The balance of the loan receivable at 31 December 2022 is \$67,975,030 (30 June 2022: loan payable \$119,416,183). This loan is non-interest bearing and at call.

Note 16. 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.

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.

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 CVC Property Fund (ASX: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 31 December 2022 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.

Note 17. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2022 annual financial report for the financial year ended 30 June 2022 together with the accounting policies as below:

Investment Properties

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a valuation performed by an accredited external independent valuer at least every two years, and otherwise by director's valuations at reporting dates where no independent valuation has been obtained.

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.

The accounting policies are consistent with Australian Accounting Standards and with IFRS Standards.

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 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*

These amendments have been deemed to have an immaterial impact to the Fund.

New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of authorisation of the financial statements, the Fund has not applied or early adopted the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current and Non-Current* (application date 1 January 2023)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current and Non-Current - Deferral of Effective Date* (application date 1 January 2023)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (application 1 January 2023)
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (application date 1 January 2023)
- AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (application date 1 January 2025)

360 Capital REIT
Directors' declaration
For the half-year ended 31 December 2022

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

(1) The consolidated financial statements and notes that are set out on pages 10 to 27 are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations regulations 2001 and other mandatory professional reporting requirements; and

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

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.



Tony Robert Pitt
Executive Chairman



David van Aanholt
Deputy Chairman

17 February 2023

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

Conclusion

We have reviewed the accompanying half-year 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 31 December 2022;
- ▶ The TOTA statement of financial position as at 31 December 2022;
- ▶ The Group consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-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 half-year then ended;
- ▶ Notes to the financial statements, including a summary of significant accounting policies; and
- ▶ The directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group and TOTA are not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial positions of the Group and TOTA as at 31 December 2022 and of their consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Ernst & Young



Douglas Bain
Partner
Sydney
17 February 2023

360 Capital REIT Corporate directory
For the half-year ended 31 December 2022

Directors & Officers

Non-Executive Directors

David van Aanholt (Deputy Chairman)
William John Ballhausen
Andrew Graeme Moffat
Anthony Gregory McGrath

Executive Director

Tony Robert Pitt (Executive Chairman)

Officers

Glenn Butterworth – Chief Financial Officer and Company Secretary

Responsible Entity

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Email: enquiries@boardroomlimited.com.au

Auditor

Ernst & Young
200 George Street Sydney NSW 2000

Website

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360 Capital



Identifying
strategic investment
opportunities.

360capital.com.au