360 Capital

ASX Release

REAL ASSETS
PRIVATE EQUITY
PUBLIC EQUITY
CREDIT

360 Capital REIT (ASX: TOT) **31 August 2020**

Appendix 4E

For the year ended 30 June 2020

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 2020. 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 2020 is attached and forms part of this Appendix 4E.

Details of reporting period

Current reporting period: 1 July 2019 – 30 June 2020

Prior corresponding period: 1 July 2018 – 30 June 2019

Results announcement to the market

	30 Jun 2020 $'000	30 Jun 2019 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	20,749	9,154	11,595	126.7
Profit attributable to stapled securityholders for the year	10,429	7,591	2,838	37.4
Operating profit[1]	7,722	8,029	(307)	(3.8)

[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 Financial Report.

	30 Jun 2020 Cents per security	30 Jun 2019 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	9.6	11.2	(4.6)	(14.2)
Operating profit per security	7.1	11.8	(4.7)	(40.2)

ASX Release

Distributions

	Cents per Security	Total paid	Date of payment
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**	
September quarter distribution	3.00	1,975	25 October 2018
December quarter distribution	3.00	2,024	24 January 2019
March quarter distribution	3.00	2,074	24 April 2019
June quarter distribution	3.00	2,107	25 July 2019
Total distribution for the year ended 30 June 2019	**12.00**	**8,180**	

Net tangible asset per security

	30 Jun 2020 $	30 Jun 2019 $
NTA per security	1.13	1.17

Control Gained or Lost over Entities during the year

Refer to Note 18 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

Annual Report

FOR THE YEAR ENDED 30 JUNE 2020

360 CAPITAL REIT COMPRISES 360 CAPITAL PASSIVE REIT (ARSN 602 304 432)
360 CAPITAL ACTIVE REIT (ARSN 602 303 613)

360 Capital

360 CAPITAL REIT

(formerly 360 Capital Total Return Fund)

Financial Report
For the year ended 30 June 2020

360 Capital REIT comprises 360 Capital Passive REIT (ARSN 602 304 432) and its controlled entities and 360 Capital Active REIT (ARSN 602 303 613) and its controlled entities.

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, formerly 360 Capital Total Return Fund (Fund or consolidated entity) (ASX: TOT) for the year ended 30 June 2020. 360 Capital REIT comprises 360 Capital Passive REIT, formerly 360 Capital Total Return Passive Fund (Parent Entity or Passive Fund) and its controlled entities and 360 Capital Active REIT, formerly 360 Capital Total Return Active Fund (Active Fund) and its controlled entities.

Directors

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

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

Principal activities

The Fund listed on the Australian Stock Exchange (ASX) in April 2015 as a unique fund investing in various forms of real estate assets. On 21 February 2020, securityholders approved an updated strategy for the Fund.

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 business
- underwriting potential capital raisings including syndicates and both unlisted and listed funds
- strategic positions in unlisted funds
- capitalising on mispriced trading opportunities in listed REIT sector
- participating in mergers and acquisition activities
- participating in special situations within markets including distressed sales, investments with restructuring potential, and providing loans

Operating and financial review

Key financial highlights for the year ended 30 June 2020

Statutory net profit

$10.4m

(2019: $7.6 million)

Statutory net profit attributable to securityholders higher than prior year primarily resulting from the gain on URB Investments Limited (URB) acquisition of $4.5 million

Operating profit

$7.7m

(2019: $8.0 million)

Operating profit[1] of $7.7 million (equating to 7.1 cps) delivered through revenue from real estate loan investments and sale of residential properties

Distributions per security

9.0cps

(2019: 12.0 cps)

Distributions of 9.0 cps for the period reflects a 25.0% decrease on the prior year

Net tangible assets

$1.13

per security
(2019: $1.17)

The Funds NTA is $1.13 per security. Core NTA pre AASB 9 loss allowance on the Fund's loan receivable portfolio is also $1.13 per security

ASX closing price

$0.865

per security
(2019: $1.18)

The Fund's closing price reflects a 23.5% discount to NTA as at 30 June 2020

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.

Operating and financial review (continued)

Key operational achievements for the year ended 30 June 2020

urb. Investments Limited

Acquisition

URB

Scheme of arrangement

The Fund completed the acquisition of URB in December 2019, significantly increasing the its assets and securityholder base

Loan Book

$42.4m

Drawn loan receivable facilities

Funds total loan receivable facilities of $42.4 million as at 30 June 2020 with a weighted average interest rate of 9.4%

Average IRR

16.3%

On exited loan investments

A total of $63.1 million of loans receivable repaid during the year, delivering securityholders with a weighted average IRR of 16.3%

Financial overview

The Fund's statutory profit attributable to securityholders for the year was $10.4 million (2019: $7.6 million). The profit for the year included $7.5 million (2019: $8.7 million) of finance revenue generated by interest on cash held and loans receivable deployed across the financial year, together with a $4.5 million gain on acquisition of URB. The Fund's statutory balance sheet as at 30 June 2020 had gross assets of $161.7 million (2019: $86.7 million).

The Fund's operating profit (profit before non-operating items) for the year ended 30 June 2020 was $7.7 million (2019: $8.0 million).

As at 30 June 2020 the Fund has provided for a $0.2 million (2019: $1.1 million) loss allowance on loans receivable and notes receivable in accordance with AASB 9. The accounting standard requires a provision to be recognised based on the probability of future expected credit loss. Whilst the Fund has recognised a loss allowance on the loans receivable, there is currently no evidence that any actual loss will eventuate.

Acquisition of URB Investments Limited

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

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

On 6 November 2019, the resolution to approve the scheme was passed by the requisite majorities of URB shareholders. The TOT stapled units under scrip consideration were issued on 20 December 2019. The commencement of trading of new TOT securities on ASX was on 23 December 2019.

Since completion of the merger with URB in December 2019, TOT had sold the majority of URB's listed equities portfolio prior to the COVID-19 market sell-off, having sold approximately $20.0 million in line with holding values. Post period, TOT exchanged contracts for the sale the Penrith shopping centre asset in line with book value. The only remaining URB investment is the interest in Home HQ Artarmon which is deemed non-core.

Investment in residential apartments

During the year, the Fund acquired 23 apartments in Gladesville, NSW at 20.0% below valuation and commenced sales campaign. At 30 June 2020, the sale of 7 apartments had settled with a further 5 exchanged.

TOT has now exchanged contracts for the sale of 14 apartments, at an average premium of 23.8% to the November 2019 purchase price. Whilst transaction volumes have slowed, TOT is confident of selling the remaining apartments over FY21.

As part of the acquisition, the Fund entered into a debt facility with Bankwest for $8.25 million in November 2019 which was subsequently repaid in June 2020.

Investment in Velocity Property Group

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

TOT through a joint venture investment company TGP TOT JV Pty Limited (JV), acquired 19.99% strategic stake in Velocity for a total of $1.6 million on 23 December 2019. The carrying value of the Fund's 50% interest in the JV was $1.0 million at balance date. During the 6 months to 30 June 2020, the Board of VP7 undertook a rationalisation and de-gearing programme in preparation for its repositioning as a commercial real estate debt company. TOT also acquired $10.0 million secured notes with a term of two years and an interest rate of 7.0% per annum together with options to purchase Velocity shares, subject to various conditions.

Debt origination and management joint venture

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

Capital management

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

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

During the year the Fund bought back and cancelled 4,815,353 units (2019: Nil).

As part of the acquisition of the residential apartments in Gladesville, the Fund entered into a debt facility with Bankwest for $8.25 million in November 2019 which was subsequently repaid in June 2020.

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. The effects of the pandemic are continuing to unfold, and the extent of the 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.

The responsible entity took a conservative approach with a focus on capital preservation given the market volatility and economic uncertainty, as such TOT did not deploy cash balances into new opportunities impacting earnings for FY20.

Refined Investment strategy

Given the Responsible Entity's opinion we had been in the late stages of the real estate cycle, TOT's focus over the past three years had been real estate debt investing. The self-liquidating nature of these loans and their relatively short tenor has allowed TOT to build a substantial cash balance in excess of $90 million at the reporting date.

TOT has refined its focus to investing in real estate equity, across both corporate and direct asset opportunities. The rationale for refining TOT's strategy is:

- COVID-19 will likely lead to volatility in commercial real estate values over the near-term creating greater opportunity for investment and potential capital growth;
- Potential deterioration of economic and real estate fundamentals provides opportunistic investors like TOT with an attractive entry point for long-term capital growth; and
- TOT leverages 360 Capital Group's 15-year real estate track record and experience, allowing TOT to partner with third party capital to access larger, higher quality transactions.

TOT's objective of providing regular quarterly distributions in line with passive earnings and reinvestment of active earnings remains unchanged, with a five-year track record of consistent quarterly distributions, averaging 9.8cps per annum.

Outlook

TOT''s strategy has evolved from a pure total return focus to that of providing regular quarterly distributions in line with the Fund's passive earnings and reinvestment of the TOT's active earnings.

The responsible entity remains focused on continuing to increase liquidity and awareness of the Fund and greater focus on acquisitions / investments that provide recurring income.

Distributions

Total distributions paid or payable to securityholders by the Fund for the year ended 30 June 2020:

	30 June 2020 $'000	**30 June 2019 $'000**
September 2018 quarterly distribution 3.0 cps paid on 25 October 2018	-	1,975
December 2018 quarterly distribution 3.0 cps paid on 24 January 2019	-	2,024
March 2019 quarterly distribution 3.0 cps paid on 24 April 2019	-	2,074
June 2019 quarterly distribution 3.0 cps paid on 25 July 2019	-	2,107
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	-
	11,057	8,180

Significant changes in state of affairs

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

Likely developments and expected results of operations

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

Events subsequent to balance date

Subsequent to balance date the Fund settled five apartments at Gladesville. On 21 August 2020 the fund's $23.4 million loan to a childcare operator was repaid in full. Post balance date the Fund purchased $16.0 million of listed equities.

In the event there is a longer than expected impact from the COVID-19 pandemic, this could have unforeseen impacts to the consolidated entity post 30 June 2020.

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

Environmental Issues

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

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 2020 there were 4,815,353 units bought back and cancelled (2019: Nil).

Distribution Reinvestment Plan

No securities were issued under the Distribution Reinvestment Plan (DRP) during the year of ended 30 June 2020 (2019: 4,371,752).

Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and Executives of the Responsible Entity hold no options over interests in the Fund.

Securities issued in the Fund

There were 73,390,235 new securities issued during the year (2019: 4,371,752).

Number of interests on issue

As at 30 June 2020 the number of securities on issue in the Fund was 138,800,281 (2019: 70,225,399). During the year a total of 9,143,498 and 64,246,737 securities were issued under the Fund's Institutional Placement and URB Scrip consideration, respectively.

Securities held by the Responsible Entity or Related Parties of the Responsible Entity

As at 30 June 2020 related parties of the Responsible Entity held securities in the Fund, as detailed in Note 24 to the financial statements.

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 24 to the financial statements.

Indemnification and insurance of Directors and 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. 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.

Indemnification and insurance of Auditors

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

Non-audit services

Disclosed in Note 22 were the non-audit services provided by the Fund's auditors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of the Responsible Entity's report for the year ended 30 June 2020.

Rounding of amounts

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

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

David van Aanholt	**Tony Robert Pitt**
Chairman	Managing Director

Sydney
31 August 2020

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of the financial report of 360 Capital Passive REIT for the financial year ended 30 June 2020, 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 Passive REIT and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
31 August 2020

360 Capital REIT
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Revenue from continuing operations			
Revenue from sale of inventory		6,675	-
Finance revenue	3	7,487	8,691
Distribution income	3	820	4
Total revenue from continuing operations		**14,982**	8,695
Other income			
Net gain on fair value of financial assets	9	-	275
Gain on business combination	19	4,513	-
Share of equity accounted profits	10	299	45
Reversal of loss allowance on financial assets		899	-
Other income		56	139
Total other income		**5,767**	459
Total revenue from continuing operations and other income		**20,749**	9,154
Cost of goods sold	7	5,644	-
Marketing expenses		310	-
Administration expenses		469	225
Management fees	24	918	559
Finance expenses		161	-
Transaction costs		782	9
Net loss on disposal of financial assets		514	-
Net loss on fair value of financial assets		2,086	-
Loss allowance on financial assets	6	-	630
Profit from continuing operations		**9,864**	7,731
Income tax expense	4	(565)	60
Total comprehensive income for the year		**10,429**	7,671
Total comprehensive income attributable to:			
Securityholders of 360 Capital Passive REIT		6,191	7,296
Securityholders of 360 Capital Active REIT		4,238	295
Profit attributable to the stapled securityholders		**10,429**	**7,591**
External non-controlling interests		-	80
Profit for the period		**10,429**	7,671

Earnings per stapled security for profit after tax attributable to the stapled securityholders of 360 Capital REIT		**cents**	**cents**
Basic and diluted profit per security	23	**9.6**	11.2

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

360 Capital REIT
Consolidated statement of financial position
As at 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents	14(a)	78,484	42,333
Receivables	5	612	132
Loans receivable	6	42,445	23,184
Inventory	7	11,838	-
Financial assets at fair value through profit or loss	9	11,021	64
Total current assets		**144,400**	65,713
Non-current assets			
Loans receivable	6	-	15,708
Financial assets at fair value through profit or loss	9	6,305	4,819
Notes receivable	8	9,876	-
Investments equity accounted	10	1,142	397
Deferred tax assets	11	-	51
Total non-current assets		**17,323**	20,975
Total assets		**161,723**	86,688
Current liabilities			
Trade and other payables	12	215	2,205
Distribution payable		3,123	2,107
Provision for income tax		1,292	-
Total current liabilities		**4,630**	4,312
Non-current liabilities			
Deferred tax liabilities	11	42	-
Total non-current liabilities		**42**	-
Total liabilities		**4,672**	4,312
Net assets		**157,051**	82,376
Equity			
Issued capital – Passive Fund units	13	155,805	92,460
Issued capital – Active Fund units	13	24,713	12,755
Issued capital		180,518	105,215
Accumulated losses		(23,467)	(22,839)
Total equity attributable to stapled securityholders		**157,051**	82,376
Total equity		**157,051**	82,376

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

360 Capital REIT
Consolidated statement of changes in equity
For the year ended 30 June 2020

	Note	Issued capital - Passive Fund units $'000	Issued capital - Active Fund units $'000	Accumulated losses – Passive Fund[1] $'000	Retained earnings - Active Fund $'000	Total equity attributable to stapled Securityholders $'000	External non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019		92,460	12,755	(23,175)	336	82,376	-	82,376
Total comprehensive income for the year		-	-	6,191	4,238	10,429	-	10,429
Transactions with Securityholders in their capacity as Securityholders								
Issued securities – capital raising	13	67,759	13,059	-	-	80,818	-	80,818
Securities bought back	13	(4,150)	(989)	-	-	(5,139)	-	(5,139)
Equity raising transaction costs	13	(264)	(112)	-	-	(376)	-	(376)
Distributions	2	-	-	(11,057)	-	(11,057)	-	(11,057)
		63,345	11,958	(11,057)	-	64,246	-	64,246
Balance at 30 June 2020		**155,805**	**24,713**	**(28,041)**	**4,574**	**157,051**	**-**	**157,051**
Balance at 1 July 2018		88,062	11,949	(21,847)	41	78,205	-	78,205
Impact of changes in accounting standards[1]		-	-	(444)	-	(444)	-	(444)
Adjusted balance at 1 July 2019		88,062	11,949	(22,291)	41	77,761	-	77,761
Total comprehensive income for the year		-	-	7,296	295	7,591	80	7,671
Transactions with non-controlling interest		-	-	-	-	-	664	664
Transactions with Securityholders in their capacity as Securityholders								
Issued securities - DRP	13	4,429	811	-	-	5,240	-	5,240
Equity raising transaction costs	13	(31)	(5)	-	-	(36)	-	(36)
Distributions	2	-	-	(8,180)	-	(8,180)	(744)	(8,924)
		4,398	806	(8,180)	-	(2,976)	(744)	(3,720)
Balance at 30 June 2019		**92,460**	**12,755**	**(23,175)**	**336**	**82,376**	**-**	**82,376**

The above consolidated statement of changes in equity should be read with the accompanying notes.
[1] Accumulated losses at 1 July 2018 were restated to reflect the impact of new AASB 9 accounting standard introduced for reporting periods effective from 1 January 2018.

360 Capital REIT
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		92	153
Cash payments to suppliers (inclusive of GST)		(1,915)	(845)
Proceeds from disposal of inventory		6,675	-
Payments for inventory		(17,482)	-
Distributions received		1,173	4
Finance revenue		11,068	6,094
Finance expenses		(161)	-
Income tax paid		(12)	-
Net cash (outflows)/inflows from operating activities	14	**(562)**	5,406
Cash flows from investing activities			
Payments for equity accounted investments		(797)	-
Proceeds from disposal of financial assets		19,961	-
Payments for financial assets		(14,512)	(2,423)
Notes receivable provided		(10,000)	-
Loans receivable provided		(58,843)	(49,392)
Loans receivable repaid		52,720	51,112
Net cash acquired from acquisition of subsidiary		53,438	-
Payment of transaction costs to acquire subsidiaries		(487)	-
Net cash inflows/(outflows) from investing activities		**41,480**	(703)
Cash flows from financing activities			
Proceeds from borrowings		8,250	-
Repayment of borrowings		(8,250)	-
Proceeds from issue of capital		10,789	1,468
Proceeds from issue of capital to non-controlling interest		-	1,200
Payments for external non-controlling interest		-	(536)
Payment of transaction costs to issue capital		(376)	(63)
Payments for buyback of stapled securities		(5,140)	-
Distributions to external non-controlling interest		-	(744)
Distributions paid to stapled securityholders		(10,040)	(3,784)
Net cash outflows from financing activities		**(4,767)**	(2,459)
Net increase in cash and cash equivalents		36,151	2,244
Cash and cash equivalents at the beginning of the year		42,333	40,089
Cash and cash equivalents at the end of the year	14(a)	**78,484**	42,333

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

Contents

Financial Information

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

Note 1: Segment reporting

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 total Fund level. As a result, the Fund has only one segment. 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, unrealized 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.

	30 June 2020 $'000	30 June 2019 $'000
Profit attributable to stapled securityholders of the Fund	**10,429**	7,591
Non-operating items		
Net loss on disposal of financial assets	514	-
Net loss/(gain) on fair value of financial assets	2,086	(275)
Loss allowance on loans receivable	(899)	630
Tax effect on fair value gain on financial assets	-	74
Gain on business combination [1]	(4,513)	-
Non-operating share of profits of equity accounted investment[2]	(165)	-
Transaction and acqusition costs	782	9
Tax expense on non-operating items	(512)	-
Operating profit (profit before non-operating items)	**7,722**	8,029
Weighted average number of stapled securities ('000)	108,668	67,880
Operating profit (profit before non-operating items) per stapled security – cents	**7.1**	11.8

[1] Gain on bargain purchase from the acquisition of URB Investments Limited.
[2] Non-operating items including revaluation on acquisition of interest in TGP TOT JV Pty Ltd, included in share of profit.

Note 2: Distributions

Total distributions paid or payable to securityholders by the Fund for the year ended 30 June 2020:

	30 June 2020 $'000	30 June 2019 $'000
September 2018 quarterly distribution 3.0 cps paid on 25 October 2018	-	1,975
December 2018 quarterly distribution 3.0 cps paid on 24 January 2019	-	2,024
March 2019 quarterly distribution 3.0 cps paid on 24 April 2019	-	2,074
June 2019 quarterly distribution 3.0 cps paid on 25 July 2019	-	2,107
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	-
	11,057	8,180

Note 3: Revenue

Finance income includes:

	30 June 2020 $'000	30 June 2019 $'000
Interest – Cash at bank	343	374
Interest – Loans receivable	7,144	8,317
	7,487	8,691

Distribution income includes:

	30 June 2020 $'000	30 June 2019 $'000
Distributions received – listed investments	770	4
Distributions received – unlisted investments	50	-
	820	4

Note 4: Income tax expense

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

	30 June 2020 $'000	30 June 2019 $'000
Profit before tax attributable to stapled securityholders	**9,864**	7,651
Income tax expense at the effective corporate rate of 27.5%	2,713	2,104
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(1,703)	(2,006)
Gain on purchase of subsidiary	(1,241)	-
Loss on sale of investment	(4)	-
Loss allowance on financial asset	34	-
Equity raising costs	(31)	(30)
Transaction costs	8	2
Equity accounted profits	(82)	(12)
Other tax adjustments	176	2
Income tax expense/(benefit)	(130)	60
Adjustment for current tax of prior years	(141)	-
Tax offsets and rebates	(294)	-
Income tax (benefit)/expense recognised in the statement of profit or loss	**(565)**	60

The Passive Fund is not liable for income tax as its taxable income and taxable capital gains are distributed to securityholders each year. The current year tax expense within the Active Fund was primarily related to URB Investments Limited (URB) income post acquisition in December 2019. On 23 August 2019 the Active Fund created a tax consolidated group consisting of the Active Fund and 360 Capital TOT Residential Pty Limited and URB joined the tax consolidated group on acquisition on 20 December 2019.

Note 5: Receivables

	30 June 2020 $'000	30 June 2019 $'000
Current		
Trade receivables	496	51
Interest receivable	95	80
Distribution receivable	4	1
Prepayments	17	-
	612	132

a) Expected credit losses
During the year, the Fund made a Nil (2019: Nil) ECL provision in respect of impairment under AASB 9 as this number is considered immaterial to the Fund.

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 17 for more information on the risk management policy of the Fund.

Note 6: Loans receivable

	30 June 2020 $'000	30 June 2019 $'000
Current		
Secured loans – amortised cost	42,495	23,397
Loss allowance	(50)	(213)
	42,445	23,184
Non-current		
Secured loans – amortised cost	-	16,567
Loss allowance	-	(859)
	-	15,708
Total	**42,445**	38,892

Loans receivable are initially recognised at fair value and subsequently carried at amortised cost in accordance with AASB 9. The Fund has recognised a total loss allowance of $49,920 based on the 12-month expected credit loss (ECL) for each loan in the Fund's portfolio in accordance with AASB 9.

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

	30 June 2020 $'000	30 June 2019 $'000
Balance at 1 July	38,892	39,167
Loans drawn during the period	58,843	49,117
Interest capitalised during the period	6,815	2,794
Loss allowance – current year	1,023	(630)
Loss allowance – prior year	-	(444)
Loans repaid during the period	(63,128)	(51,112)
Closing balance	**42,445**	38,892

Note 7: Inventory

	30 June 2020 $'000	30 June 2019 $'000
Gladesville apartments	11,838	-
	11,838	-

On 3 September 2019 the Fund announced that it had exchanged contracts to acquire 23 brand new strata titled apartments in Gladesville, NSW for a total purchase price of $16.5 million. The apartments comprise a combination of one, two and three- bedroom apartments. The settlement was completed on 14 November 2019 and funded using a $8.25 million facility with a major Australian bank and $8.25 million from the existing cash reserves. During the year, 7 apartments were sold. The carrying value of inventory includes associated acquisition costs including stamp duty.

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

	30 June 2020 $'000	30 June 2019 $'000
Balance at 1 July	-	-
Inventory purchased during the period	16,500	-
Purchase costs capitalised	982	
Cost of goods sold during the period	(5,644)	-
Closing balance	**11,838**	-

Note 8: Notes receivable

	30 June 2020 $'000	30 June 2019 $'000
Non-current		
Notes receivable – amortised cost	10,000	-
Loss allowance	(124)	-
Total	**9,876**	-

TOT acquired $10.0 million secured notes with a term of two years and an interest rate of 7.0% per annum during the year, together with options to acquire to Velocity shares, subject to various conditions. Notes receivable are initially recognised at fair value and subsequently carried at amortised cost in accordance with AASB 9. The Fund has recognised a total loss allowance of $123,720 based on the 12-month expected credit loss (ECL) for the notes receivable in accordance with AASB 9.

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

	30 June 2020 $'000	30 June 2019 $'000
Balance at 1 July	-	-
Notes receviable acquired during the period	10,000	-
Loss allowance	(124)	-
Closing balance	**9,876**	-

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

	30 June 2020 $'000	30 June 2019 $'000
Current		
Units in listed property funds	-	64
Units in unlisted property funds	11,021	-
	11,021	64
Non-current		
Units in listed property funds	6,305	4,819
	6,305	4,819
Total	**17,326**	4,883

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

	30 June 2020 $'000	30 June 2019 $'000
Balance at 1 July	4,883	59
Financial assets acquired – on market	12,315	4,549
Financial assets acquired – as part of business acquisition	32,317	-
Financial assets disposed - on market	(20,349)	-
Financial assets derecognised – as part of business acquisition	(9,240)	-
Fair value adjustment of financial assets	(2,086)	275
Realised gain on disposal of financial assets	(514)	-
Closing balance	**17,326**	4,883

Note 10: Investments equity accounted

	30 June 2020 %	30 June 2019 %	30 June 2020 $'000	30 June 2019 $'000
Joint venture				
AMF Finance Pty Limited	50	50	181	397
TGP TOT JV Pty Limited	50	-	961	-
			1,142	397

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 acquired a 19.99% strategic stake in Velocity Property Group (ASX: VP7) for $1.6 million on 23 December 2019. The other 50% interest in the joint venture is held by 360 Capital Group.

Note 10: Investments equity accounted (continued)

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

	30 June 2020 $'000	30 June 2019 $'000
AMF Finance Pty Limited		
Opening balance – 1 July	397	352
Equity accounted profit for the year	134	45
Dividends received during the year	(350)	-
Closing Balance	**181**	397
TGP TOT JV Pty Limited		
Opening balance – 1 July	-	-
Acquisition of equity interest	796	-
Equity accounted profit for the year	165	-
Closing Balance	**961**	-
	1,142	397

	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
AMF Finance Pty Limited				
Year Ended 30 June 2020	422	61	1,451	268
Year Ended 30 June 2019	866	73	877	90
TGP TOT JV Pty Limited				
Year Ended 30 June 2020	1,938	15	343	330
Year Ended 30 June 2019	-	-	-	-

Note 11: Deferred tax assets and liabilities

	30 June 2020 $'000	30 June 2019 $'000
Deferred tax assets comprises temporary differences attributable to:		
Accrued expenses	7	-
Business acquisition costs	390	-
Unrealised loss on investment	239	-
Tax losses	-	125
	636	**125**
Deferred tax liabilities comprises temporary differences attributable to:		
Unrealised gain on investment	678	74
	678	74
Net deferred tax (liabilities)/assets	**(42)**	51

Note 11: Deferred tax assets and liabilities (continued)

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

	30 June 2020 $'000	30 June 2019 $'000
Balance at 1 July	51	111
Net deferred tax liabilities acquired through acquisition of URB	(289)	-
Fair value movement on investments	239	-
Recognition of timing differences	81	(74)
Tax losses	(125)	14
Closing balance	**(42)**	51
Net deferred tax assets expected to reverse within 12 months	(671)	125
Net deferred tax assets expected to reverse after more than 12 months	629	(74)
	(42)	51

For further information on recognition of deferred tax balances (refer to Note 26).

Note 12: Trade and other payables

	30 June 2020 $'000	30 June 2019 $'000
Trade payables and accruals	215	2,205
	215	2,205

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

Note 13: Equity

(a) Issued capital

	30 June 2020 000's	30 June 2019 000's
360 Capital Passive REIT - Ordinary securities issued	138,800	70,225
360 Capital Active REIT - Ordinary securities issued	138,800	70,225

	$'000	$'000
360 Capital Passive REIT - Ordinary securities issued	155,805	92,460
360 Capital Active REIT - Ordinary securities issued	24,713	12,755
Total issued capital	**180,518**	105,215

(b) Movements in issued capital

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

	30 June 2020 000's	30 June 2019 000's
Opening balance at 1 July	70,225	65,854
Securities issued - Institutional placement	9,143	-
Securities issued for URB scrip	64,247	-
Securities issued under Distribution Reinvestment Plan	-	4,371
Securities bought back and cancelled	(4,815)	
Closing balance	**138,800**	70,225

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

	30 June 2020 $'000	30 June 2019 $'000
Opening balance at 1 July	105,215	100,011
Securities issued - Institutional placement	10,789	-
Securities issued for URB scrip	70,029	-
Securities issued under Distribution Reinvestment Plan	-	5,240
Securities bought back and cancelled	(5,139)	-
Transaction costs incurred in issuing capital	(376)	(36)
Closing balance	**180,518**	105,215

(c) Equity Raising

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

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

No securities were issued under the Distribution Reinvestment Plan (DRP) during the year ended 30 June 2020 (2019: 4,371,752).

Note 14: Cash flow information

(a) Reconciliation of cash and cash equivalents

	30 June 2020 $'000	30 June 2019 $'000
Cash at bank	78,484	42,333
Cash and cash equivalents in the statement of cash flows	**78,484**	42,333

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

	30 June 2020 $'000	30 June 2019 $'000
Net profit for the year	**10,429**	7,671
Adjustment for:		
Net gain on disposal of financial assets	514	-
Net change in fair value of financial assets	2,086	(275)
Tax effect of net gain on fair value of financial assets	(345)	74
Gain on business combination	(4,513)	-
Share of equity accounted profits	(299)	(45)
Capitalised interest on loans receivable	3,924	(2,517)
Acquisition and transaction costs	782	9
Loss allowance loans receivable	(899)	630
Change in assets and liabilities		
Increase in inventory	(11,838)	-
(Increase)/ decrease in receivables	(2,393)	(145)
Increase/(decrease) in payables	1,990	4
Net cash (outflows)/inflows from operating activities	**(562)**	5,406

Risk

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

Note 15: Basis of preparation

a) Reporting entity

The financial report of 360 Capital REIT, formerly 360 Capital Total Return Fund (Fund) comprises the consolidated financial statements of 360 Capital Passive REIT, formerly 360 Capital Total Return Passive Fund (Passive Fund) and its controlled entities and 360 Capital Active REIT, formerly 360 Capital Total Return Active Fund (Active Fund) and its 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 entity 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. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Fund are disclosed in the Responsible Entity's report.

The financial report was authorised for issue by the Board on 31 August 2020.

The principal accounting policies adopted in the preparation of the financial report are set out below and in Note 26.

b) Statement of compliance

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

The financial report complies with IFRS as issued and interpretations adopted by the International Accounting Standards Board.

c) Basis of preparation

360 Capital REIT and its consolidated entities are for-profit entities for the purpose of preparing the financial report.

The financial report has been prepared on accruals basis and on the historical cost basis except for financial assets and financial liabilities, which are stated at their fair value. The accounting policies set out in Note 26 have been applied consistently to all periods presented in this financial report except for the new accounting standards AASB 16 *Leases*. For more detail on the impact of the adoption of this standard refer to Note 26(a).

The accounting policies have been applied consistently by all entities in the Fund.

The financial report is presented in Australian dollars.

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

Note 15: Basis of preparation (continued)

d) Critical judgements and significant accounting estimates

Critical accounting estimates, judgements 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 taxes

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.

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.

Certain new or amended Australian Accounting Standards have been published that are not mandatory for this reporting period. Based on management’s assessment, the recently issued or amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosures made in this financial report when restated for the application of the new or amended Accounting Standards.

e) Changes in accounting policies and disclosures

The Fund applied AASB 16 for the first time. The adoption of this standard has not had a material impact on the financial statements of the Fund.

Note 16: 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 issued 73.4 million securities as part of its acquisition of URB & institutional capital raising, refer to Note 13: Equity for further information. During the year the Fund bought back and cancelled 4,815,353 units.

As part of the acquisition of the residential apartments in Gladesville, the Fund entered into a debt facility with Bankwest for $8.25 million in November 2019 which was subsequently repaid in June 2020.

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

Note 17: Other financial assets and liabilities

Overview

The Fund's activities expose it to various types of financial risks including credit risk, liquidity risk and market 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.

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.

	30 June 2020 $'000	**30 June 2019 $'000**
Cash and cash equivalents	78,484	42,333
Receivables	612	132
Loans receivable	42,445	38,892
Notes receivable	9,876	-
Financial assets at fair value through profit or loss	17,326	4,883
Total	**148,743**	86,240

Note 17: Other financial assets and liabilities (continued)

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.

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.

Interest rate risk

The Fund's interest rate risk arises from cash balances. The potential impact of a change in interest rates by +/-1% on profit has been disclosed in a table below. The Fund's exposure to interest rate risk by maturity period is:

	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Fixed interest maturing in 1 to 5 years $'000	Fixed interest maturing in more than 5 years $'000	Non-interest bearing $'000	Total $'000
30 June 2020						
Financial assets						
Cash and cash equivalents	78,484	-	-	-	-	78,484
Trade and other receivables	-	-	-	-	612	612
Loans receivable	-	42,445	-	-	-	42,445
Notes receivable	-	-	9,876	-	-	9,876
Total financial assets	**78,484**	**42,445**	**9,876**	**-**	**612**	**131,417**
Financial liabilities						
Trade and other payables	-	-	-	-	215	215
Distributions payable	-	-	-	-	3,123	3,123
Total financial liabilities	**-**	**-**	**-**	**-**	**3,338**	**3,338**
Net financial assets (liabilities)	**78,484**	**42,445**	**9,876**	**-**	**(2,726)**	**128,079**
30 June 2019						
Financial assets						
Cash and cash equivalents	42,333	-	-	-	-	42,333
Trade and other receivables	-	-	-	-	131	131
Loans receivable	-	23,184	15,708	-	-	38,892
Total financial assets	42,333	23,184	15,708	-	131	81,356
Financial liabilities						
Trade and other payables	-	-	-	-	2,203	2,203
Distributions payable	-	-	-	-	2,107	2,107
Total financial liabilities	-	-	-	-	4,310	4,310
Net financial assets (liabilities)	42,333	23,184	15,708	-	(4,179)	77,046

Note 17: Other financial assets and liabilities (continued)

Summarised interest rate sensitivity analysis
The table below illustrates the summarises the potential impact a change in interest rates by +/-1% would have on the Fund's profit.

		Change in interest rate	
		-1%	1%
	Carrying amount $'000	Profit $'000	Profit $'000
30 June 2020			
Cash and cash equivalents	**78,484**	(785)	785
Notes receivable	**9,876**	(99)	99
Total increase/(decrease)		**(884**	**884**
30 June 2019			
Cash and cash equivalents	42,333	(423)	423
Total increase/(decrease)		(423)	423

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):

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 Year $'000	Between 1-5 Years $'000	Over 5 Years $'000
30 June 2020					
Trade and other payables	215	215	215	-	-
Distribution payable	3,123	3,123	3,123	-	-
	3,338	**3,338**	**3,338**	**-**	**-**
30 June 2019					
Trade and other payables	2,203	2,203	2,203	-	-
Distributions payable	2,107	2,107	2,107	-	-
	4,310	4,310	4,310	-	-

Note 17: Other financial assets and liabilities (continued)

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.

		Change in security price	
		-1%	1%
	Carrying amount $'000	Profit $'000	Profit $'000
30 June 2020			
Financial assets			
Financial assets at fair value through profit or loss	**17,326**	(173)	173
Total increase/(decrease)		**(173)**	**173**
30 June 2019			
Financial assets			
Financial assets at fair value through profit or loss	4,883	(49)	49
Total increase/(decrease)		(49)	49

Other markets risk

The Fund does not have any material exposure to any other market risks such as currency risk.

Fair values

The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 30 June 2020. 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.

Fair value hierarchy

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

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

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

Note 17: Other financial assets and liabilities (continued)

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

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss as at 30 June 2020	**17,326**	6,305	-	11,021
Financial assets at fair value through profit or loss as at 30 June 2019	**4,883**	4,883	-	-

There were no transfers between Level 1 and Level 2 fair value measurements. During the year, $11.0 million of unlisted investments were acquired as part of the URB acquisition. 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

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 estimated at the arms' length acquisition cost given this occurred within the reporting period and no material events have occurred since acquisition to suggest this is not a reasonable determination of fair value. The fair value assessment of the unlisted shares includes the best estimate of the impacts of the COVID-19 pandemic using information available at the balance date.

Fund Structure

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

Note 18: Controlled entities

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

Name of entity	Country of Domicile	Class of units	Equity Holding 30 June 2020	Equity Holding 30 June 2019
360 Capital Active REIT	Australia	Ordinary	100	100
360 Capital TOT Residential Pty Limited	Australia	Ordinary	100	-
URB Investments Pty Limited	Australia	Ordinary	100	-
360 Capital TOT Finance Trust	Australia	Ordinary	100	100
360 Capital Private Debt Fund	Australia	Ordinary	100	100

Note 19: Business combinations

URB Investments Limited

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

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

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

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

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

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

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

	$'000
Assets	
Cash and cash equivalents	53,438
Receivables	30
Financial assets at fair value through profit or loss	32,317
Other current assets	608
Liabilities	
Trade and other payables	(42)
Deferred tax liabilities	(1,984)
Other current liabilities	(585)
Net identifiable assets acquired	**83,782**
Less: Gain on bargain purchase	(4,513)
Total purchase consideration	**79,269**

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

Note 19: Business combinations (continued)

Revenue and profit contribution

The acquired business contributed revenues of $0.5 million and a net loss after tax of $1.6 million to the Fund from 21 December 2019 to 30 June 2020.

If the acquisition had occurred on 1 July 2019, consolidated total revenue from continuing operations and the consolidated net loss of the acquired business for the year ended 30 June 2020 would have been $1.7 million and $2.3 million respectively. Net loss for the year from 1 July 2019 would include transaction costs of $1.5 million expensed by URB prior to the Acquisition date. These amounts have been calculated using the Fund's accounting policies.

Contingent consideration

There is no contingent consideration as part of this transaction.

Purchase consideration – cash outflow on acquisition

	$'000
Cash consideration paid	-
Cash and cash equivalents acquired	53,438
Inflow of cash to acquire subsidiary	53,438
Less: Business combination transaction costs expensed through profit or loss	(487)
Less: Business combination transaction costs recognised in equity	(62)
Total cash inflow on acquisition of controlled entity	52,889

Acquisition related costs

Acquisition related costs of $0.49 million incurred have been expensed in the consolidated statement of profit or loss and have been included as part of net cash flows from investing activities in the consolidated statement of cash flows. Transaction costs include tax, legal and advisory fees. The attributable costs of the issuance of equity of $0.06 million have been charged directly to equity as a reduction in issued capital and have been included as part of net cash flows from financing activities in the consolidated statement of cash flows.

Gain on fair value of financial assets

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

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

Unrecognised Items

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

Note 20: Capital commitments and contingencies

Loan commitments
As at 30 June 2020, amounts available to be drawn by borrowers under existing loan facilities are as follows:

	30 June 2020 $'000	30 June 2019 $'000
Secured loans	2,291	15,668

There are no other capital commitments as at 30 June 2020 (2019: Nil).

Contingencies
There are no contingent liabilities as at 30 June 2020 (2019: Nil).

Note 21: Events subsequent to balance date

Subsequent to balance date the Fund settled five apartments at Gladesville. On 21 August 2020 the fund's $23.4 million loan to a childcare operator was repaid in full. Post balance date the Fund purchased $16.0 million of listed equities.

In the event there is a longer than expected impact from the COVID-19 pandemic, this could have unforeseen impacts to the consolidated entity post 30 June 2020.

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

Other Information

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

Note 22: Auditors' remuneration

	30 June 2020 $	30 June 2019 $
Audit services		
Fees for auditing the statutory financial reports of the parent and its controlled entities	100,000	56,500
Fees for other assurance services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	4,000	16,700
Non-audit services		
Taxation compliance services	18,600	19,950
Total Fees to Ernst & Young Australia	**122,600**	93,150

Note 23: Earnings per stapled security

	30 June 2020 ¢	30 June 2019 ¢
Basic and diluted earnings per stapled security	9.6	11.2

	$'000	$'000
Basic and diluted earnings		
Profit attributable to stapled securityholders of 360 Capital REIT used in calculating profit per stapled security	10,429	7,591

	000's	000's
Weighted average number of stapled securities used as a denominator		
Weighted average number of stapled securities – basic and diluted	108,668	67,880

Note 24: 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 is:

360 Capital FM Limited
Level 8, 56 Pitt Street
Sydney, NSW 2000

Controlled entities
Interests in controlled entities are set out in Note 18.

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.

	30 June 2020 $	30 June 2019 $
Fees for the year paid/payable by the Fund:		
Management of the Fund		
Management fees	899,533	556,000
Acquisition/Disposal fees	231,750	-
Fund recoveries charged through administration expenses	18,506	2,720
Total	**1,149,789**	558,720

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.

Note 24: Related party transactions (continued)

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 Securityholders during the relevant financial year plus any increase in the trading price of Stapled Securities 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 an investment sold by the Fund. The disposal fee is payable upon the completion of the relevant sale.

During the year, the Responsible Entity was entitled acquisition fees of $45,495 relating to the Funds investment in URB however no fees were charged.

Securityholdings

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

	30 June 2020	30 June 2019
360 Capital Property Limited [1]		
Number of stapled securities held	27,785,491	18,465,165
Interest % held	20.0%	26.3%
Distributions paid/payable by the Fund ($)	2,290,987	2,072,520

[1] On 21 June 2017, 360 Capital Property Limited sold its beneficial interest in 360 Capital Passive REIT units to 360 Capital Diversified Property Fund, a wholly owned subsidiary of the 360 Capital Investment Trust.

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

Joint Venture

TGP TOT JV Pty Limited (formerly 360 Capital PERE Pty Ltd) is a joint venture between the Group and 360 Capital REIT (ASX: TOT). On 23 December 2019, TGP TOT JV Pty Ltd acquired 19.99% shares in Velocity Property Group (ASX: VP7)(Velocity) for a total of $1.6 million or 2.0 cents per security. Velocity is an ASX listed boutique property development company that develops multi-unit apartment and mixed commercial developments in Queensland.

Investment from related entity

During the year, 360 Capital Group acquired 6,642,587 securities in the Fund on market and an addition of 2,677,739 securities from the conversion of existing Group's investment in URB Investments Limited through URB Scrip (scheme of arrangement).

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 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.

Payments made by the Fund to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel.

Note 24: Related party transactions (continued)

Directors
David van Aanholt (Chairman)
Tony Robert Pitt
William John Ballhausen
Graham Ephraim Lenzner
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 2020 are as follows:

Name	Position	30 June 2019 Equity Holding	Acquisitions	30 June 2020 Equity Holding
David van Aanholt	Director	26,016	-	26,016
Tony Robert Pitt	Director	836,148	100,000	936,148
William John Ballhausen	Director	120,000	-	120,000
Graham Ephraim Lenzner	Director	153,907	-	153,907
Andrew Graeme Moffat	Director	430,956	-	430,956
Glenn Butterworth	KMP	29,642	17,843	47,485
James Storey	KMP	9,000	23,307	32,307

Note 25: Parent entity disclosures

The following details information relating to the parent entity 360 Capital Passive REIT. The information presented below has been prepared using the consistent accounting policies as presented in Note 26.

	30 June 2020 $'000	30 June 2019 $'000
Current assets	118,950	32,881
Non-current assets	34,040	105,357
Total assets	**152,990**	138,238
Current liabilities	3,252	2,129
Non-current liabilities	-	76,750
Total liabilities	**3,252**	78,879
Issued units	155,806	59,993
Retained earnings	(6,068)	(634)
Total equity	**149,738**	59,359
Net profit for the year	5,622	7,162
Total comprehensive profit for the year attributable to securityholders	**5,622**	7,162

Loan commitments
As at 30 June 2020, amounts available to be drawn by borrowers under existing loan facilities are $2.3 million (2019: $15.7 million).

Note 26: Statement of significant accounting policies

a) Changes in accounting policy

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

AASB 16 *Leases*
AASB 16 *Leases* (AASB 16) introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard replaces AASB 117 *Leases* and is effective for annual periods beginning on or after 1 January 2019.

The Fund has adopted AASB 16 and related amendments from 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

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

There were no other changes to the Fund's accounting policies for the financial reporting year commencing 1 July 2019. The remaining policies of the Fund are consistent with the prior year.

b) 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 2020 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.

Note 26: Statement of significant accounting policies (continued)

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.

c) 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 within the Fund.

d) Revenue recognition

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

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.

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

e) Finance expenses

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

Note 26: Statement of significant accounting policies (continued)

f) 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. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the 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.

g) 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.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

i) Receivables

Receivables and Loans receivable 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.

Note 26: Statement of significant accounting policies (continued)

i) Receivables (continued)

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.

Loans receivable
Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

j) 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, loan receivables and cash) at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are classified into the following specified categories: “Financial assets at amortised cost” and “Financial assets at fair value through profit or loss”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 assets at amortised cost
Refer to Note 26(i).

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.

Note 26: Statement of significant accounting policies (continued)

Impairment
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 and other 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.

k) Trade and other payables

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

l) 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.

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

m) 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.

n) Goods and services tax (GST)

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

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

Note 26: Statement of significant accounting policies (continued)

o) Accounting standards issued but not yet effective

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2020. They are available for early adoption, but have not been applied in preparing these financial statements. The Fund plans to adopt these standards on the effective date. The impact of these new standards and interpretations are as follows:

- AASB 3 Amendments to AASB 3 *Definition of a Business* (application date 1 January 2020)
- AASB 101 Amendments to the definition of materiality (application date 1 January 2020)
- AASB 7 Interest rate benchmark reform on hedge accounting (application date 1 January 2020)

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

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 11 to 43 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

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

3) The Directors have 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 2020.

4) The Directors draw attention to Note 15(b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
31 August 2020

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Building a better working world

Independent Auditor's Report to the unitholders of 360 Capital Passive REIT

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 360 Capital Passive REIT (the Fund) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the declaration of directors of 360 Capital FM Limited, the Responsible Entity of the Group.

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

a) giving a true and fair view of the financial position of the Group as at 30 June 2020 and of its 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.

Building a better working world

Recoverability of Property Loans

Why significant	How our audit addressed the key audit matter

The Group's consolidated statement of financial position includes \$42.5m of gross property loans receivable and an associated expected credit loss (ECL) of \$0.05m at 30 June 2020.
 	
The Directors' assessment as to the recoverability of the property loans involves judgement, specifically relating to the individual circumstances of each debtor.
 	
The Group applies Australian Accounting Standard AASB 9 Financial Instruments in calculating the provision for ECL, applying a forward-looking expected loss impairment model. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.
 	
As at 30 June 2020 there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the property values, that underpin the carrying values of the property loans, may change significantly and unexpectedly over a relatively short period of time.
 	
This was a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to credit exposures and value of the underlying security to determine the recoverability of the property loans.
	Our audit procedures included the following:
	▸ We assessed the classification of each property loan to determine whether their classification as amortised cost is appropriate based on the underlying terms.
	▸ We evaluated the adequacy of the collateral for the loans by:
	    ▸ comparing the property sales revenue assumed to the most recent historical or comparable sales where applicable;
	    ▸ obtaining the latest valuation of the property securing the loan where applicable.
	▸ We have performed sensitivities over the recoverable value of the loans in the event that the security value was to decline as a result of current market conditions
	▸ We assessed whether the Group's methodology in calculating the ECL provision was consistent with the requirements of Australian Accounting Standards and re-performed the Group's calculations. This included considering whether any changes were required as a result of the impact of COVID-19.
	▸ We assessed the key inputs into the ECL provision including:
	    ▸ The completeness of the loans included in the calculation,
	    ▸ The appropriateness of the credit rating applied to individual borrowers with reference to borrower specific and macroeconomic factors,
	▸ We evaluated the classification of loans between current and non-current.
	▸ We have considered the adequacy of the financial report disclosures, in particular those relating to the estimates and judgements.

Building a better working world

Acquisition of URB Investment Limited (URB)

Why significant	How our audit addressed the key audit matter
During the year the Group acquired 100% of the securities in the previously listed URB Investments Limited via a scheme of arrangement. Prior to the scheme of arrangement 360 Capital REIT (TOT) owned 11.66% of the shares of URB Investments Limited. Management has applied the principles of AASB 3 Business combinations and accounted for the above acquisition as business combination. The details of the business combination are disclosed in note 19. The fair value of the net assets acquired was \$84.8m which exceeded the purchase consideration by \$5.6m. This was recognised as a gain on bargain purchase in the profit and loss. Given the significance of the acquisition to the consolidated statement of financial position of the Group and the judgement involved in performing the purchase price allocation to the acquired assets and liabilities, we considered this to be a key audit matter.	Our audit procedures included the following: ► We have examined the scheme of arrangement agreements and related court and regulatory approvals. ► We have assessed whether the accounting treatment is in line with the relevant accounting principles of AASB 3 Business combinations. ► We have agreed the assets and liabilities acquired by TOT to the financials records of URB as at acquisition date and assessed the fair values allocated to the assets and liabilities. ► As this business combination was achieved in stages, we have verified that TOT has remeasured its previously held equity interest in URB at its acquisition-date to fair value and recorded the resulting gain in the income statement. ► We involved EY tax specialists to assess the tax implications of the transaction to determine whether they have been appropriately identified and recorded. ► We have assessed the adequacy of the disclosures in the financial statements as at 30 June 2020.

Building a better working world

Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Group's 2020 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 Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

Building a better working world

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

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

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

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

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

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

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

Mark Conroy

Mark Conroy
Partner
Sydney
31 August 2020

Information below was prepared as at 25 August 2020.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
360 CAPITAL PROPERTY LIMITED	18,465,165	13.30
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,965,551	10.78
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	8,984,749	6.47
360 CAPITAL PROPERTY LTD	8,220,326	5.92
NATIONAL NOMINEES LIMITED	4,441,613	3.20
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	2,720,000	1.95
WYLLIE GROUP PTY LTD	1,600,000	1.15
INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVESTMENT FUND A/C>	1,150,000	0.82
360 CAPITAL PROPERTY LTD	1,100,000	0.79
QUOTIDIAN NO 2 PTY LTD	1,091,650	0.78
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,085,530	0.78
BNP PARIBAS NOMS (NZ) LTD <DRP>	1,018,535	0.73
BOND STREET CUSTODIANS LIMITED <LAMAN - D05019 A/C>	983,300	0.70
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	877,904	0.63
AVANTEOS INVESTMENTS LIMITED <3041001 PETERS A/C>	847,458	0.61
J S MILLNER HOLDINGS PTY LIMITED	734,433	0.52
AVANTEOS INVESTMENTS LIMITED <3051367 INVESTMENTS A/C>	677,966	0.48
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	601,392	0.43
PENTAGON CAPITAL PTY LIMITED	525,021	0.37
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	519,000	0.37
Total Securities held by Top 20 security holders	**70,609,593**	**50.87**
Total Securities on issue	**138,800,281**	**100.00**

b) Distribution of securityholders:

Number of securities held by securityholder	Number of holders	Securities held	% of issued securities
1 to 1,000	334	77,772	0.06
1,001 to 5,000	765	2,406,421	1.73
5,001 to 10,000	572	4,779,296	3.44
10,001 to 100,000	1,291	42,200,059	30.40
100,001 and over	115	89,336,733	64.36
Totals	**3,077**	**138,800,281**	**100.00**

The total number of securityholders with less than a marketable parcel was 268 and they hold 22,172 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
360 Capital Property Limited	20/12/19	28,721,639	19.99
Washington H Soul Pattinson and Company Limited	20/12/19	8,984,749	6.26
Salt Funds Management Limited	6/08/2020	8,375,886	6.03

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
The Fund, 360 Capital REIT	360 Capital REIT (ASX: TOT), the stapled entity comprising 360 Capital Passive REIT and 360 Capital Active 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
Andrew Graeme Moffat

Executive Director
Tony Robert Pitt (Managing Director)

Officers
James Storey – Head of Real Assets
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