



ASX Release

24 February 2022

REAL ASSETS
PRIVATE EQUITY
CREDIT

360 Capital REIT (ASX: TOT)

Appendix 4D for the half-year ended 31 December 2021

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

This Preliminary Financial Report is given to the ASX in accordance with Listing Rule 4.2.A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2021. It is also recommended that the Annual Report be considered together with any public announcements made by the Fund. Reference should also be made to the statement of significant accounting policies as outlined in the Financial Report. The Interim Financial Report for the half year ended 31 December 2021 is attached and forms part of this Appendix 4D.

Details of reporting period

Current reporting period: 1 July 2021 – 31 December 2021

Prior corresponding period: 1 July 2020 – 31 December 2020

Results for announcement to the market

| | | | | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
|--|----|--------|----|-----------------------|-----------------------|
| Revenue and other income from ordinary activities | up | 142.8% | to | 32,230 | 13,273 |
| Profit attributable to the securityholders for the half-year | up | 381.0% | to | 21,146 | 4,396 |
| Operating profit ¹ | up | 155.3% | to | 3,702 | 1,450 |

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

| | 31 Dec 2021 cents per security | 31 Dec 2020 cents per security |
|---|--------------------------------------|--------------------------------------|
| Earnings per security – basic and diluted | 15.1 | 3.2 |
| Operating profit per security | 2.6 | 1.1 |



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Net tangible asset per security

| | 31 Dec 2021 | 31 Dec 2020 |
|------------------|-------------|-------------|
| | \$ | \$ |
| NTA per security | 1.26 | 1.14 |

Distributions

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

| | Amount per security (cents) | Franked amount per security (cents) | Total paid \$'000 | Record date | Date of payment |
|---|--------------------------------------|---|-------------------------|----------------------|--------------------|
| September 2021 quarterly distribution – fully franked | 1.5 | 1.5 | 2,098 | 30 September 2021 | 27 October 2021 |
| December 2021 quarterly distribution – fully franked | 1.5 | 1.5 | 2,110 | 31 December 2021 | 27 January 2022 |
| Total distribution for the period ended 31 December 2021 | 3.0 | 3.0 | 4,208 | | |
| September 2020 quarterly distribution | 1.5 | 0.0 | 2,080 | 30 September 2020 | 27 October 2020 |
| December 2020 quarterly distribution | 1.5 | 0.0 | 2,066 | 31 December 2020 | 27 January 2021 |
| Total distribution for the period ended 31 December 2020 | 3.0 | 0.0 | 4,146 | | |

Distribution Reinvestment Plan

During the period, the Fund activated its Distribution Reinvestment Plan (DRP) for the September 2021 quarterly distribution. The DRP has been deactivated since the September 2021 distribution issue.

Refer to Note 11 Issued Capital of the Financial Report.

Details of Associates and Joint Venture Entities

Refer to Note 9 Investments Equity Accounted of the Financial Report.

360 Capital



360 CAPITAL REIT

ASX:TOT

INTERIM FINANCIAL REPORT
For the half year ended 31 December 2021

General information

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

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

The Interim Financial Report is presented in Australian dollars.

The Fund is an entity of the kind referred to in Corporations 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 to the nearest thousand dollars, unless otherwise stated.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022.

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360 Capital REIT
Responsible entity report
For the half-year ended 31 December 2021

The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report together with the financial report of 360 Capital REIT (Fund or consolidated entity) (ASX: TOT) for the half-year ended 31 December 2021. 360 Capital REIT comprises 360 Capital Passive REIT (Parent Entity or Passive REIT) and 360 Capital Active REIT (Active REIT) as well as their respective controlled entities.

Directors

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

David van Aanholt (Chairman)

Tony Robert Pitt

William John Ballhausen

Andrew Graeme Moffat

Principal activities

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

Operating and financial overview

Key financial highlights for the half-year ended 31 December 2021

Statutory net profit

\$21.1m

(Dec 2020: \$4.4 m)

Statutory net profit attributable to securityholders of \$21.1 million represents a 381.0% increase on the prior period, primarily contributed to by the \$23.9 million fair value gain on its Irongate Group (ASX: IAP) investment.

Operating profit

\$3.7m

(Dec 2020: \$1.5m)

Operating profit¹ of \$3.7 million (equating to 2.6cps) reflecting a \$2.2 million or 155.3% increase on the prior period and includes \$3.8 million in revenue from real estate equity investments.

Distributions

3.0cps

(Dec 2020: 3.0cps)

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

Net tangible assets

\$1.26

per security

(Jun 2021: \$1.14)

The Fund's NTA is \$1.26 per security reflects an increase of 12 cents per security or 10.5% on prior year. The increase in NTA resulting mainly from the \$23.9 million fair value gain on TOT's investment in the ASX listed real estate fund IAP.

ASX closing price

\$0.90

per security

(Jun 2021: \$0.995)

The Fund's closing price of \$0.90 per security was down from \$0.995 per security at 30 June 2021. The closing price reflects a 28.6% discount to NTA as at 31 December 2021.

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

Key operational achievements for the half-year ended 31 December 2021

Investment

IRONGATE

ASX: IAP

TOT's carrying value of its investment in Irongate Group (ASX: IAP) as at 31 December 2021 was approximately \$150.5 million, representing a 12.8% stake, contributing \$3.8 million in income during the period.

Investment



Funds Management Limited

TOT's 50% equity interest in PMG Funds, contributed \$1.2 million in earnings (including interest and underwriting fees) for the half-year.

Financial overview

The Fund's statutory profit attributable to securityholders for the half-year was \$21.1 million (31 December 2020: \$4.4 million). The operating profit for the half-year was \$3.7 million (31 December 2020: \$1.5 million). The Fund's balance sheet as at 31 December 2021 had gross assets of \$188.6 million (30 June 2021: \$168.3 million).

Significant transactions

Irongate Group

The Fund holds a 12.8% stake in Irongate Group (ASX: IAP) valued at \$150.5 million as at 31 December 2021. IAP is a diversified real estate investor with \$1.59 billion of real estate assets on balance sheet and a third-party funds management platform. IAP owns office and industrial assets across major metro markets and established precincts in Australia and New Zealand.

The Fund took its initial stake 9.2% in IAP on 29 January 2021, subsequently TOT and 360 Capital Group (ASX: TGP) have acquired further 10.7%, taking the combined holding to 19.9% at an average entry price of \$1.41 compared to the 31 December 2021 closing price of \$1.73 per security. The combined 19.9% holding provides exposure to a diversified portfolio of well leased office and industrial assets.

PMG Funds

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

PMG manages five unlisted funds, with 47 properties and NZD\$875 million of Funds Under Management ("FUM").

Sale of residential apartments

In November 2021, the Fund completed its sales campaign for the apartments held in Gladesville with the settlement of its final three apartments. In total the apartments sales represent an average premium of 19.7% to the November 2019 purchase price.

Exit of non-core joint ventures

The Fund previously held a 50% stake in a joint venture company, TGP TOT JV Pty Limited which held a 19.9% strategic stake in Dealt Holdings Limited (Dealt) (previously Velocity Property Group). Dealt was an ASX listed boutique property development company that pivoted towards commercial real estate finance origination, which delisted in September 2021.

On 8 October 2021, the Fund's joint venture partner 360 Capital Group bought out the Fund's 50% stake in TGP TOT JV PTY Limited for \$0.6 million.

The Fund also disposed of its 50% stake in another joint venture, AMF Finance Pty Limited to 360 Capital Group.

Capital management

The Fund issued 2,943,934 additional securities during the half-year (31 December 2020: nil).

Securities were issued in relation to the Distribution Reinvestment Plan (DRP) for the June 2021 and September 2021 quarterly distributions, at an issue price of \$0.96 and \$0.86 respectively.

Strategy and operating environment

Impact of COVID-19 on the consolidated entity

The World Health Organization declared a global pandemic in March 2020 as a result of the novel coronavirus (COVID-19). The Fund has considered the impact of COVID-19 in preparing its financial report. Although society has already adapted significantly to deal with COVID-19 through various measures such as vaccinations, social distancing, quarantining, travel restrictions, and economic stimulus, the future social, medical and economic impacts worldwide are unknown as the pandemic situation continues to evolve.

Refined Investment strategy

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

Outlook

TOT remains focused on closing the gap between trading price and NTA through continued promoting of market awareness of TOT, potential capital management initiatives and execution of TOT's refined strategy as it continues to transition toward a more traditional AREIT.

Distributions

During the half-year, distributions made by the Fund to securityholders were in the form of fully franked dividends from Active REIT. In the comparative period distributions were made as distributions from Passive REIT. Distributions paid or payable during the period were as follows:

| | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
|--|-----------------------|-----------------------|
| September 2020 quarterly distribution 1.50 cps paid on 27 October 2020 | - | 2,080 |
| December 2020 quarterly distribution 1.50 cps paid on 27 January 2021 | - | 2,066 |
| September 2021 quarterly fully franked distribution 1.50 cps paid on 27 October 2021 | 2,098 | - |
| December 2021 quarterly fully franked distribution 1.50 cps paid on 27 January 2022 | 2,110 | - |
| | 4,208 | 4,146 |

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

Likely developments and expected results of operations

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

Number of interests on issue

As at 31 December 2021 the number of securities on issue in the Fund was 140,683,691 (31 December 2020: 137,739,757).

Buy back arrangements

As detailed in the Fund constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from stapled securityholders. During the half-year there were no security buy backs (2020: 1,060,524 units).

Matters subsequent to the end of the financial period

In line with the transformation of TOT into a more traditional A-REIT, post period TOT entered an agreement (subject to TOT and TGP Securityholder approval) to sell TOT's 50% equity interest in PMG Funds to TGP.

On 28 January 2021, TGP and TOT entered into a Memorandum of Understand (MOU) with a Charter Hall Group (ASX:CHC) managed partnership comprised of Dutch pension fund PGGM (PGGM) and Charter Hall Group. The MOU facilitated the Charter Hall Partnership to make a non-binding indicative offer to IAP Board to purchase all of the IAP securities on issue (including TOT's and 360 Capital Group (ASX:TGP) holdings totalling approximately 135.4 million securities) for \$1.90 per security plus pay the March 22 distribution (estimated at \$0.0467 per security). As part of the MOU, TOT will purchase a portfolio of 3 modern office buildings in IAP totalling \$254.0 million and portfolio WALE of approximately 8.3 years. TOT will fund the acquisition of this portfolio through proceeds from the sale of IAP securities and PMG Funds joint venture and a debt facility.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

Rounding of amounts

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



David van Aanholt
Chairman



Tony Robert Pitt
Managing Director

24 February 2022



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of 360 Capital REIT and 360 Capital Active REIT for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Douglas Bain
Partner
24 February 2022

360 Capital REIT

Consolidated interim statements of profit or loss and other comprehensive income

For the half-year ended 31 December 2021

| | Note | Consolidated | | Active REIT | |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
| Revenue | | | | | |
| Finance Revenue | | 176 | 1,478 | 171 | 365 |
| Distribution income | | 3,823 | 353 | 3,823 | 353 |
| Sale of Inventory | | 3,020 | 6,710 | 3,020 | 6,710 |
| Underwriting fee income | | 193 | - | 193 | - |
| Total revenue from continuing operations | | 7,212 | 8,541 | 7,207 | 7,428 |
| Share of profits of equity accounted investments | | 796 | - | 796 | - |
| Net fair value gain on financial assets | | 23,988 | 4,659 | 23,982 | 4,408 |
| Gain on foreign exchange | | 158 | - | 158 | - |
| Net gain on disposal of financial assets | | 37 | - | 37 | - |
| Other income | | 39 | 73 | 38 | 23 |
| Total revenue from continuing operations and other income | | 32,230 | 13,273 | 32,218 | 11,859 |
| Expenses | | | | | |
| Cost of sales | | (2,835) | (5,933) | (2,835) | (5,933) |
| Shared of losses of equity accounted investments | | - | (370) | - | (370) |
| Investment property expenses | | (163) | (266) | (163) | (266) |
| Transaction costs | | (338) | (130) | (305) | (130) |
| Administration expenses | | (234) | (285) | (143) | (180) |
| Net loss on disposal of financial assets | | - | (132) | - | (132) |
| Management fees | | (578) | (530) | (557) | (197) |
| Finance costs | | (2) | - | (2) | - |
| Total expenses | | (4,150) | (7,646) | (4,005) | (7,208) |
| Profit before income tax expense | | 28,080 | 5,627 | 28,213 | 4,651 |
| Income tax expense | 3 | (6,934) | (1,231) | (6,934) | (1,231) |
| Profit after income tax expense for the half-year attributable to the securityholders of 360 Capital REIT | | 21,146 | 4,396 | 21,279 | 3,420 |
| Other comprehensive income for the half-year, net of tax | | - | - | - | - |
| Total comprehensive income for the half-year attributable to the securityholders of 360 Capital REIT | | 21,146 | 4,396 | 21,279 | 3,420 |
| Total comprehensive income attributable to: | | | | | |
| | | Consolidated | | Active REIT | |
| | | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Unitholders of 360 Capital Passive REIT | | (133) | 976 | - | - |
| Unitholders of 360 Capital Active REIT | | 21,279 | 3,420 | 21,279 | 3,420 |
| | | 21,146 | 4,396 | 21,279 | 3,420 |
| | | Cents | Cents | Cents | Cents |
| Basic earnings per security | | 15.1 | 3.2 | 15.2 | 2.5 |
| Diluted earnings per security | | 15.1 | 3.2 | 15.2 | 2.5 |

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

360 Capital REIT
Consolidated interim statements of financial position
As at 31 December 2021

| | Note | Consolidated | | Active REIT | |
|---|------|----------------|----------------|----------------|----------------|
| | | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 13,082 | 15,605 | 7,432 | 540 |
| Receivables | | 247 | 819 | 226 | 803 |
| Inventories | 4 | - | 2,835 | - | 2,835 |
| Financial assets at fair value through profit or loss - current | 5 | 31 | 6,111 | 31 | 6,111 |
| Financial assets at amortised cost - current | 8 | 1,744 | - | 1,744 | - |
| Loans receivable at amortised cost - current | 7 | - | 3,160 | - | 3,160 |
| Total current assets | | 15,104 | 28,530 | 9,433 | 13,449 |
| Non-current assets | | | | | |
| Investments accounted for using the equity method | 9 | 18,736 | 19,826 | 18,736 | 19,826 |
| Financial assets at fair value through profit or loss - non current | 6 | 154,803 | 116,055 | 154,359 | 116,055 |
| Financial assets at amortised cost - non current | 8 | - | 3,865 | - | 3,865 |
| Total non-current assets | | 173,539 | 139,746 | 173,095 | 139,746 |
| Total assets | | 188,643 | 168,276 | 182,528 | 153,195 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 10 | 2,033 | 2,858 | 1,956 | 2,561 |
| Borrowings | | - | - | 115,292 | 106,664 |
| Provision for Income tax | | 436 | 1,505 | 436 | 1,505 |
| Distribution payable | | 2,110 | 2,066 | 2,110 | - |
| Total current liabilities | | 4,579 | 6,429 | 119,794 | 110,730 |
| Non-current liabilities | | | | | |
| Trade and other payables | 10 | - | 3,934 | - | 3,934 |
| Deferred tax liabilities | | 7,310 | 835 | 7,310 | 835 |
| Total non-current liabilities | | 7,310 | 4,769 | 7,310 | 4,769 |
| Total liabilities | | 11,889 | 11,198 | 127,104 | 115,499 |
| Net assets | | 176,754 | 157,078 | 55,424 | 37,696 |
| Equity | | | | | |
| Issued capital | 11 | 182,327 | 179,589 | 25,197 | 24,540 |
| Retained profits/(accumulated losses) | | (5,573) | (22,511) | 30,227 | 13,156 |
| Total equity | | 176,754 | 157,078 | 55,424 | 37,696 |

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

360 Capital REIT
Consolidated interim statements of changes in equity
For the half-year ended 31 December 2021

| Consolidated | Issued capital \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|--------------------------------------|--|--------------------------------|
| Balance at 1 July 2020 | 180,518 | (23,467) | 157,051 |
| Profit after income tax expense for the half-year | - | 4,396 | 4,396 |
| Other comprehensive income for the half-year, net of tax | - | - | - |
| Total comprehensive income for the half-year | - | 4,396 | 4,396 |
| <i>Transactions with securityholders in their capacity as securityholders:</i> | | | |
| Securities bought back and cancelled | (927) | - | (927) |
| Equity transaction costs | (2) | - | (2) |
| Distributions | - | (4,146) | (4,146) |
| Balance at 31 December 2020 | 179,589 | (23,217) | 156,372 |
| Consolidated | Issued capital \$'000 | Retained profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2021 | 179,589 | (22,511) | 157,078 |
| Profit after income tax expense for the half-year | - | 21,146 | 21,146 |
| Other comprehensive income for the half-year, net of tax | - | - | - |
| Total comprehensive income for the half-year | - | 21,146 | 21,146 |
| <i>Transactions with securityholders in their capacity as securityholders:</i> | | | |
| Issued securities (note 11) | 2,757 | - | 2,757 |
| Distributions | - | (4,208) | (4,208) |
| Equity transaction costs | (19) | - | (19) |
| Balance at 31 December 2021 | 182,327 | (5,573) | 176,754 |

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

360 Capital REIT
Consolidated interim statements of changes in equity
For the half-year ended 31 December 2021

| Active REIT | Issued capital \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|--------------------------------------|--|--------------------------------|
| Balance at 1 July 2020 | 24,713 | 4,574 | 29,287 |
| Profit after income tax expense for the half-year | - | 3,420 | 3,420 |
| Other comprehensive income for the half-year, net of tax | - | - | - |
| Total comprehensive income for the half-year | - | 3,420 | 3,420 |
| <i>Transactions with securityholders in their capacity as securityholders:</i> | | | |
| Securities bought back and cancelled | (172) | - | (172) |
| Equity transaction costs | (1) | - | (1) |
| Balance at 31 December 2020 | 24,540 | 7,994 | 32,534 |
| Active REIT | Issued capital \$'000 | Retained profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2021 | 24,540 | 13,156 | 37,696 |
| Profit after income tax expense for the half-year | - | 21,279 | 21,279 |
| Other comprehensive income for the half-year, net of tax | - | - | - |
| Total comprehensive income for the half-year | - | 21,279 | 21,279 |
| <i>Transactions with securityholders in their capacity as securityholders:</i> | | | |
| Issued securities (note 11) | 662 | - | 662 |
| Distributions | - | (4,208) | (4,208) |
| Equity transaction costs | (5) | - | (5) |
| Balance at 31 December 2021 | 25,197 | 30,227 | 55,424 |

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

360 Capital REIT
Consolidated interim statements of cash flows
For the half-year ended 31 December 2021

| | Note | 31 Dec 2021 \$'000 | Consolidated 31 Dec 2020 \$'000 | 31 Dec 2021 \$'000 | Active REIT 31 Dec 2020 \$'000 |
|--|------|-----------------------|---------------------------------------|-----------------------|--------------------------------------|
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of GST) | | 649 | 167 | 649 | 153 |
| Payments to suppliers and employees (inclusive of GST) | | (3,718) | (1,281) | (3,377) | (871) |
| Dividends and distributions received | | 5,128 | 324 | 5,154 | 324 |
| Finance revenue | | 253 | - | 249 | 365 |
| Proceeds from inventory | | 3,020 | 6,710 | 3,020 | 6,710 |
| Interest and other finance costs paid | | (2) | - | (2) | - |
| Income taxes paid | | (1,483) | (1,292) | (1,483) | (1,292) |
| Net cash from operating activities | | 3,847 | 4,628 | 4,210 | 5,389 |
| Cash flows from investing activities | | | | | |
| Payments for financial assets | | (15,583) | (19,270) | (15,144) | (22,565) |
| Payments for equity accounted investments | | (216) | - | (216) | - |
| Loans receivable provided | | - | 40,741 | - | - |
| Proceeds from disposal of investments | | 7,063 | 2,150 | 7,063 | 2,199 |
| Loans receivable repaid | | 3,200 | - | 3,200 | - |
| Proceeds from disposal of equity accounted investments | | 593 | - | 593 | - |
| Net cash from/(used in) investing activities | | (4,943) | 23,621 | (4,504) | (20,366) |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of securities | 11 | 1,434 | - | 662 | - |
| Payments for security buy-backs | | - | (927) | - | (173) |
| Security issue transaction costs | | (20) | (2) | (5) | - |
| Distributions paid | 2 | (2,841) | (5,203) | (2,098) | - |
| Proceeds from borrowings from related entity | | - | - | 8,627 | 20,124 |
| Net cash from/(used in) financing activities | | (1,427) | (6,132) | 7,186 | 19,951 |
| Net increase/(decrease) in cash and cash equivalents | | (2,523) | 22,117 | 6,892 | 4,974 |
| Cash and cash equivalents at the beginning of the financial half-year | | 15,605 | 78,484 | 540 | 2,114 |
| Cash and cash equivalents at the end of the financial half-year | | 13,082 | 100,601 | 7,432 | 7,088 |

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

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Note 1. Operating segments

Identification of reportable operating segments

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

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

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

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

| | Consolidated | |
|--|---------------|-------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Profit attributable to stapled securityholders of the Fund | 21,146 | 4,396 |
| Non-operating items | - | - |
| Net (gain)/loss on disposal of financial assets | (37) | 132 |
| Net (gain)/loss on fair value of financial assets ¹ | (23,988) | (4,659) |
| Net (gain)/loss on foreign exchange | (158) | - |
| Reversal of loss allowance on loans receivable | (40) | (50) |
| Acquisition and transaction costs | 475 | 305 |
| Share of profit relating to non-operating items | 42 | 336 |
| Tax expense on non-operating items | 6,262 | 990 |
| Operating profit (profit before non-operating items)² | 3,702 | 1,450 |
| Weighted average number of stapled securities ('000) | 139,856 | 138,503 |
| Operating profit (profit before specific non-cash and significant items) (cents per security) | 2.6 | 1.1 |

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

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

Note 2. Distributions

During the half-year, distributions made by the Fund to securityholders were in the form of fully franked dividends from Active REIT. In the comparative period distributions were made as distributions from Passive REIT.

| | 31 Dec 2021 | 31 Dec 2020 |
|--|--------------|-------------|
| | \$'000 | \$'000 |
| September 2020 quarterly distribution 1.50 cps paid on 27 October 2020 | - | 2,080 |
| December 2020 quarterly distribution 1.50 cps paid on 27 January 2021 | - | 2,066 |
| September 2021 quarterly fully franked distribution 1.50 cps paid on 27 October 2021 | 2,098 | - |
| December 2021 quarterly fully franked distribution 1.50 cps paid on 27 January 2022 | 2,110 | - |
| | 4,208 | 4,146 |

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Note 3. Income tax expense

| | Consolidated | | Active REIT | |
|--|--------------|--------------|--------------|--------------|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | | | |
| Profit before income tax expense | 28,080 | 5,627 | 28,213 | 4,651 |
| Tax at the statutory tax rate of 25% (2020: 26%) | 7,020 | 1,463 | 7,053 | 1,209 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Tax-deferred distributions | 5 | - | 5 | - |
| Trust losses/(income) exempt from income tax | 33 | (254) | - | - |
| Reversal of loss allowance on financial asset | (10) | - | (10) | - |
| Equity accounted profits | (199) | 96 | (199) | 96 |
| Tax-deferred distributions | - | (12) | - | (12) |
| Franked dividend gross up | - | 27 | - | 27 |
| Other tax adjustments | - | 16 | - | 16 |
| Foreign exchange gains | (20) | - | (20) | - |
| | 6,829 | 1,336 | 6,829 | 1,336 |
| Adjustment to deferred tax balances as a result of change in statutory tax rate | (45) | (2) | (45) | (2) |
| Adjustment for deferred tax of prior years | 150 | - | 150 | - |
| Tax offsets for franked dividends | - | (103) | - | (103) |
| Income tax expense | 6,934 | 1,231 | 6,934 | 1,231 |

Note 4. Inventories

| | Consolidated | | Active REIT | |
|------------------------|--------------|-------------|-------------|-------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Current assets</i> | | | | |
| Gladesville apartments | - | 2,835 | - | 2,835 |

In November 2019, the Fund acquired 23 brand new strata titled apartments in Gladesville, NSW for a total purchase price of \$16.5 million. The apartments comprise a combination of one, two and three- bedroom apartments. The final 3 apartments have been sold during the half-year.

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

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

| | Consolidated | | Active REIT | |
|--------------------------------------|--------------|--------------|-------------|--------------|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July | 2,835 | 11,838 | 2,835 | 11,838 |
| Cost of goods sold during the period | (2,835) | (5,934) | (2,835) | (5,934) |
| Closing balance | - | 5,904 | - | 5,904 |

Note 5. Financial assets at fair value through profit or loss - current

| | Consolidated | | Active REIT | |
|---|--------------|--------------|-------------|--------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Current assets</i> | | | | |
| Investments in unlisted securities | 31 | 6,111 | 31 | 6,111 |
| <i>Reconciliation</i> | | | | |
| Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below: | | | | |
| Balance at 1 July | 6,111 | 11,021 | 6,111 | 11,021 |
| Additions through market | 4,632 | 2,786 | 4,632 | 2,786 |
| Transfer to non-current classification | (3,749) | - | (3,749) | - |
| Disposals through market | (7,033) | (7,727) | (7,033) | (7,727) |
| Fair value adjustment of financial assets | - | 31 | - | 31 |
| Realised gain on disposal of financial assets | 70 | - | 70 | - |
| Closing fair value | 31 | 6,111 | 31 | 6,111 |

Refer to note 12 for further information on fair value measurement.

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

| | Consolidated | | Active REIT | |
|---|----------------|----------------|----------------|----------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Non-current assets</i> | | | | |
| Investments in listed securities - non current | 154,803 | 116,055 | 154,359 | 116,055 |
| <i>Reconciliation</i> | | | | |
| Reconciliation of the fair values at the beginning and end of the current and previous periods are set out below: | | | | |
| Balance at 1 July | 116,055 | 6,305 | 116,055 | 3,260 |
| Additions through market | 10,962 | 132,288 | 10,524 | 135,584 |
| Transfers from current asset classification to non-current | 3,749 | - | 3,749 | - |
| Disposals through market | - | (30,929) | - | (30,929) |
| Fair value adjustment of financial assets | 24,037 | 3,036 | 24,031 | 3,036 |
| Realised gain on disposal of financial assets | - | 5,355 | - | 5,104 |
| Closing fair value | 154,803 | 116,055 | 154,359 | 116,055 |

Refer to note 12 for further information on fair value measurement.

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Note 7. Loans receivable at amortised cost - current

| | Consolidated | | Active REIT | |
|--------------------------------------|--------------|-------------|-------------|-------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Current assets</i> | | | | |
| Secured loans | - | 3,200 | - | 3,200 |
| Provision for expected credit losses | - | (40) | - | (40) |
| Total current | - | 3,160 | - | 3,160 |

Loans receivable are initially recognised at fair value and subsequently carried at amortised cost in accordance with AASB 9. During the half-year, the full balance of loans receivable has been repaid, and a gain equal to the previous provision for expected credit losses has been recognised in the statement of profit or loss.

Note 8. Financial assets at amortised cost

| | Consolidated | | Active REIT | |
|---|--------------|--------------|--------------|--------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Current assets</i> | | | | |
| Current loans receivable | 1,769 | - | 1,769 | - |
| Provision for expected credit losses - current loans receivable | (25) | - | (25) | - |
| | 1,744 | - | 1,744 | - |
| <i>Non current assets</i> | | | | |
| Non current loans receivable | - | 3,890 | - | 3,890 |
| Provision for expected credit losses - non-current loans receivable | - | (25) | - | (25) |
| | - | 3,865 | - | 3,865 |
| | 1,744 | 3,865 | 1,744 | 3,865 |

Reconciliation

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

| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
|-----------------------------|-------------|-------------|-------------|-------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening carrying value | 3,865 | - | 3,865 | - |
| Loan granted | - | 3,890 | - | 3,890 |
| Repayment of loan | (2,199) | - | (2,199) | - |
| Foreign exchange adjustment | 78 | - | 78 | - |
| Impairment of assets | - | (25) | - | (25) |
| Closing carrying value | 1,744 | 3,865 | 1,744 | 3,865 |

Note 9. Investments accounted for using the equity method

| | Consolidated | | Active REIT | |
|--|---------------|---------------|---------------|---------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Non-current assets</i> | | | | |
| Investment in JV - AMF Finance Pty Limited | - | 82 | - | 82 |
| Investment in JV - TGP TOT JV Pty Ltd | - | 574 | - | 574 |
| Investment in JV - PMG Holdings Limited | 18,736 | 19,170 | 18,736 | 19,170 |
| | 18,736 | 19,826 | 18,736 | 19,826 |

During the half-year, the Fund disposed of non-core holdings in joint ventures AMF Finance Pty Limited and TGP TOT JV Pty Limited. These investment were sold to the joint venture partner 360 Capital Group (ASX: TGP) which now owns 100% of these entities.

Note 9. Investments accounted for using the equity method (continued)

On 19 February 2021, the Fund entered into a 50% joint venture with PMG Holdings Limited (PMG), a New Zealand real estate funds management business. Consideration paid was AUD\$17.8 million, including a \$3.9 million loan to PMG equivalent to the amount of deferred consideration payable under the contract. Deferred consideration is payable to PMG shareholding upon the reaching of certain milestones under the contract.

PMG has continued to grow and raise capital despite the Covid-19 lockdowns in Auckland. PMG now has approximately \$875 million NZD of Funds Under Management, a 31.4% increase since TOT's initial acquisition. Accordingly, for the first deferred consideration milestone which occurred during the half-year, \$2.2 million AUD equivalent was deemed to be payable in relation to the purchase. This was settled from the loan which was established for this purpose and therefore there was no cash impact.

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

| | Consolidated | | Active REIT | |
|---|---------------|---------------|---------------|---------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| AMF Finance Pty Limited | | | | |
| Opening balance - 1 July | 82 | 181 | 82 | 181 |
| Share of equity accounted loss | (21) | (99) | (21) | (99) |
| Units disposed | (61) | - | (61) | - |
| | - | 82 | - | 82 |
| TGP TOT JV Pty Limited | | | | |
| Opening balance – 1 July | 574 | 961 | 574 | 961 |
| Share of equity accounted loss | (42) | - | (42) | - |
| Units disposed | (532) | (387) | (532) | (387) |
| | - | 574 | - | 574 |
| PMG Holdings Limited | | | | |
| Opening balance – 1 July | 19,170 | - | 19,170 | - |
| Acquisition of equity interest | - | 17,783 | - | 17,783 |
| Share of equity accounted profit/(loss) | 860 | 1,387 | 860 | 1,387 |
| Dividends received during the year | (1,283) | - | (1,283) | - |
| Post-settlement adjustment | (11) | - | (11) | - |
| | 18,736 | 19,170 | 18,736 | 19,170 |
| | 18,736 | 19,826 | 18,736 | 19,826 |

Note 10. Trade and other payables

| | Consolidated | | Active REIT | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Current liabilities</i> | | | | |
| Trade payables and accruals | 249 | 2,630 | 172 | 2,333 |
| Contingent consideration | 1,784 | - | 1,784 | - |
| Other payables | - | 228 | - | 228 |
| | 2,033 | 2,858 | 1,956 | 2,561 |
| <i>Non-current liabilities</i> | | | | |
| Contingent consideration | - | 3,934 | - | 3,934 |
| | - | 3,934 | - | 3,934 |
| | 2,033 | 6,792 | 1,956 | 6,495 |

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Note 10. Trade and other payables (continued)

As part of the 50% acquisition of PMG Holdings Limited on 19 February 2021, the Fund recognised a deferred consideration component payable to PMG shareholders upon the reaching of certain milestones under the purchase agreement. This was originally recognised at cost and has been subsequently measured at fair value.

Note 11. Issued capital

(a) Issued capital

| | Consolidated | | | |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| | 31 Dec 2021 Securities '000 | 30 Jun 2021 Securities '000 | 31 Dec 2021 \$'000 | 30 Jun 2021 \$'000 |
| Issued capital - trust units | 140,684 | 137,740 | 182,327 | 179,589 |

| | Active REIT | | | |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| | 31 Dec 2021 Securities '000 | 30 Jun 2021 Securities '000 | 31 Dec 2021 \$'000 | 30 Jun 2021 \$'000 |
| Issued capital - trust units | 140,684 | 137,740 | 25,197 | 24,540 |

(b) Movements in issued capital

Movements in issued capital - 360 Capital REIT

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

Movements in issued capital - 360 Capital Active REIT

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

c) Buy back

During the half-year the Fund did not buy back any securities (2020: \$927,000).

d) Distribution reinvestment plan

During the half-year the Fund issued securities twice in relation to its optional Distribution Reinvestment Plan (DRP) for the June 2021 and September 2021 quarterly distributions respectively as detailed above.

Note 12. Fair value measurement

Fair value hierarchy

The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 31 December 2021. The fair values of receivables, trade and other payables and distributions payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

| Consolidated - 31 Dec 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | 150,913 | - | 3,921 | 154,834 |
| Total assets | 150,913 | - | 3,921 | 154,834 |
| Liabilities | | | | |
| Contingent consideration | - | - | 1,784 | 1,784 |
| Total liabilities | - | - | 1,784 | 1,784 |

Consolidated - 30 Jun 2021

| | | | | |
|---|----------------|----------|--------------|----------------|
| Assets | | | | |
| Financial assets at fair value through profit or loss | 116,055 | - | 6,111 | 122,166 |
| Total assets | 116,055 | - | 6,111 | 122,166 |
| Liabilities | | | | |
| Contingent consideration | - | - | 3,934 | 3,934 |
| Total liabilities | - | - | 3,934 | 3,934 |

| Active REIT - 31 Dec 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Financial assets at fair value through profit of loss | 150,469 | - | 3,921 | 154,390 |
| Total assets | 150,469 | - | 3,921 | 154,390 |
| Liabilities | | | | |
| Contingent consideration | - | - | 1,784 | 1,784 |
| Total liabilities | - | - | 1,784 | 1,784 |

Active REIT - 30 Jun 2021

| | | | | |
|---|----------------|----------|--------------|----------------|
| Assets | | | | |
| Financial assets at fair value through profit of loss | 116,055 | - | 6,111 | 122,166 |
| Total assets | 116,055 | - | 6,111 | 122,166 |
| Liabilities | | | | |
| Contingent consideration | - | - | 3,934 | 3,934 |
| Total liabilities | - | - | 3,934 | 3,934 |

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the half-year. Fair value hierarchy levels are reviewed on an annual basis unless there is a significant change in circumstances indicating that the classification may have changed.

Valuation techniques

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

Note 13. Business combinations

There were no business combinations during the half-year.

Note 14. Events after the reporting period

In line with the transformation of TOT into a more traditional A-REIT, post period TOT entered an agreement (subject to TOT and TGP Securityholder approval) to sell TOT's 50% equity interest in PMG Funds to TGP.

On 28 January 2021, TGP and TOT entered into a Memorandum of Understand (MOU) with a Charter Hall Group (ASX:CHC) managed partnership comprised of Dutch pension fund PGGM (PGGM) and Charter Hall Group. The MOU facilitated the Charter Hall Partnership to make a non-binding indicative offer to IAP Board to purchase all of the IAP securities on issue (including TOT's and 360 Capital Group (ASX:TGP) holdings totalling approximately 135.4 million securities) for \$1.90 per security plus pay the March 22 distribution (estimated at \$0.0467 per security). As part of the MOU, TOT will purchase a portfolio of 3 modern office buildings in IAP totalling \$254.0 million and portfolio WALE of approximately 8.3 years. TOT will fund the acquisition of this portfolio though proceeds from the sale of IAP securities and PMG Funds joint venture and a debt facility.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Related party transactions

Responsible entity

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

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

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

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.

| | Consolidated | | Active REIT | |
|-------------------------------|--------------|-------------|-------------|-------------|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ | \$ | \$ |
| <i>Management of the fund</i> | | | | |
| Management fee | 576,571 | 526,064 | 556,633 | 194,945 |
| Acquisition/Disposal fees | 30,200 | 67,100 | 30,200 | 67,100 |
| Fund recoveries | 1,036 | 4,313 | 518 | 2,156 |
| | 607,807 | 597,477 | 587,351 | 264,201 |

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

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

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

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

Note 15. Related party transactions (continued)

During the year, the Responsible Entity was entitled to acquisition and disposal fees of \$226,268 relating to the Fund's investments in IAP and other opportunities however no fees were charged.

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

Securityholdings

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

| | 31 Dec 2021 % | 31 Dec 2021 units | 30 Jun 2021 % | 30 Jun 2021 units |
|-------------------------------------|------------------|----------------------|------------------|----------------------|
| 360 Capital Property Limited | | | | |
| Stapled securities held | 23.1% | 32,439,790 | 20.2% | 27,785,491 |

Distributions

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

| | Consolidated | | Active REIT | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31 Dec 2021 \$ | 31 Dec 2020 \$ | 31 Dec 2021 \$ | 31 Dec 2020 \$ |
| Distributions paid/payable by the Fund | 941,744 | 833,565 | 941,744 | - |

Disposal of joint ventures

During the half-year, the Fund disposed of its stake in two joint venture companies to the Fund's joint venture partner, 360 Capital Property Limited, which is part of TGP.

| | Consolidated | | Active REIT | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 Dec 2021 \$ | 31 Dec 2020 \$ | 31 Dec 2021 \$ | 31 Dec 2020 \$ |
| Sale of JV - AMF Finance Pty Limited | 60,755 | - | 60,755 | - |
| Sale of JV - TGP TOT JV Pty Limited | 569,192 | - | 569,192 | - |
| | 629,947 | - | 629,947 | - |

Related party loan

The Active REIT has a loan with the Passive REIT which relates to the working capital requirements between the two stapled entities. The balance of the loan payable at 31 December 2021 is \$115,291,561 (30 June 2021: \$106,663,868). This loan is non-interest bearing and at call.

Joint Venture

During half-year the Fund participated as a sub-underwriter in the capital raise for one of PMG's unlisted property funds in New Zealand - PMG Generation Fund (PGF). The Fund received an underwriting fee of \$192,978 (2020: nil) for this commitment. The underlying units were sold down in the months following the underwrite and the Fund has now fully exited its position in PGF at its entry NZD cost price.

Note 16. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Note 16. Significant accounting policies (continued)

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

- AASB 2020-5 Amendments to AASs - *Insurance Contracts*
- AASB 2020-8 Amendments to AASs - *Interest Rate Benchmark Reform - Phase 2*

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

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

Sale of inventory

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

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.

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.

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

- (1) The attached consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations regulations 2001 and other mandatory professional reporting requirements; and
- (2) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



David van Aanholt
Chairman



Tony Robert Pitt
Managing Director

24 February 2022



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

Conclusion

We have reviewed the accompanying half-year financial report of 360 Capital REIT (the Group), which comprises 360 Capital Passive REIT and its controlled entities, and 360 Capital Active REIT (TOTA) and its controlled entities, which comprises:

- ▶ The Group's consolidated statement of financial position as at 31 December 2021;
- ▶ TOTA's statement of financial position as at 31 December 2021;
- ▶ The Group's consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended;
- ▶ TOTA's statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended;
- ▶ Notes to the financial statements, including a summary of significant accounting policies; and
- ▶ The directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial positions of the Group and TOTA as at 31 December 2021 and of their consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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



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Auditor's responsibilities for the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Douglas Bain".

Douglas Bain
Partner
Sydney
24 February 2022

Parent Entity

360 Capital Passive REIT
ARSN 602 304 432

Directors & Officers

Non-Executive Directors

David van Aanholt (Chairman)
William John Ballhausen
Andrew Graeme Moffat

Executive Director

Tony Robert Pitt (Managing Director)

Officers

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

Responsible Entity

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Auditor

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360 Capital



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