



ASX Release

24 August 2023

360 Capital REIT (ASX: TOT)

Appendix 4E for the year ended 30 June 2023

Page 1 of 2

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

This Preliminary Financial Report is given to the ASX in accordance with Listing Rule 4.3A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2023. 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 2023 is attached and forms part of this Appendix 4E.

Details of reporting period

Current reporting period: 1 July 2022 – 30 June 2023

Prior corresponding period: 1 July 2021 – 30 June 2022

Results announcement to the market

	30 Jun 2023 \$'000	30 Jun 2022 \$'000	Movement \$'000	Movement %
Revenue and other income from ordinary activities	16,411	52,680	(36,269)	(68.8)
Profit/(loss) attributable to stapled securityholders for the year	(47,921)	33,725	(81,646)	(242.1)
Operating profit ¹	7,124	35,500	(28,376)	(79.9)

¹Operating 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 2023 Cents per security	30 Jun 2022 Cents per security	Movement Cents per security	Movement %
Earnings per security – Basic and diluted	(33.4)	24.0	(57.4)	(239.2)
Operating profit per security	5.0	25.3	(20.3)	(80.2)



Distributions

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

	Amount per Security (cents)	Franked amount per security (cents)	Total paid \$'000	Record date	Date of payment
September 2022 quarterly distribution – fully franked	1.5	1.5	2,125	30 September 2022	27 October 2022
December 2022 quarterly distribution – fully franked	1.5	1.5	2,167	30 December 2022	25 January 2023
March 2023 quarterly distribution – fully franked	1.5	1.5	2,166	31 March 2023	27 April 2023
June 2023 quarterly distribution – fully franked	1.5	1.5	2,167	30 June 2023	27 July 2023
Total distribution for the year ended 30 June 2023	6.0	6.0	8,625		
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
March 2022 quarterly distribution – fully franked	1.5	1.5	2,110	31 March 2022	27 April 2022
June 2022 quarterly distribution – fully franked	1.5	1.5	2,111	30 June 2022	27 July 2022
Total distribution for the year ended 30 June 2022	6.0	6.0	8,429		

Net tangible asset per security

	30 Jun 2023 \$	30 Jun 2022 \$
NTA per security	0.91	1.32

Control Gained or Lost over Entities during the year

Refer to Note 19 Controlled Entities of the Financial Report.

Details of Associates and Joint Venture Entities

Refer to Note 8 Assets held for sale for details of the PMG Holdings Limited, a joint venture entity disposed of on 29 July 2022.

360 Capital



360 CAPITAL REIT

(ASX:TOT)

ANNUAL REPORT

For the year ended 30 June 2023

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

General information

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

The Responsible Entity of the Fund is 360 Capital FM Limited (ABN 15 090 664 396) (AFS License No. 221474). 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 financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2023. The directors have the power to amend and reissue the financial statements.

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**360 Capital REIT
Responsible Entity report
For the year ended 30 June 2023**

The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report together with the financial report of 360 Capital REIT (Fund or consolidated entity) (ASX: TOT) for the year ended 30 June 2023. 360 Capital REIT comprises 360 Capital Passive REIT (Parent Entity or Passive REIT) and its controlled entities and 360 Capital Active REIT (Active REIT) and its controlled entities.

Directors

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

Tony Robert Pitt (Executive Chairman)
David van Aanholt (Deputy Chairman)
William John Ballhausen (resigned on 30 June 2023)
Andrew Graeme Moffat
Anthony Gregory McGrath

Principal activities

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

The Fund has since refined its strategy to invest in real estate equity and is focused on continuing to acquire a diversified portfolio of well leased, income producing commercial real estate assets across Australia and New Zealand.

360 Capital REIT
Responsible Entity report
For the year ended 30 June 2023

Operating and financial overview

Key financial highlights for the year ended 30 June 2023

Statutory net loss

\$47.9m

(June 2022: profit \$33.7 million)

Statutory net loss of \$47.9 million represents a 242.1% decrease from the prior year. The result included a \$53.4 million fair value loss on the investment properties mainly comprising of a \$32.2 million loss on revaluation and \$15.1 million in stamp duty costs. The prior year profit included a \$38.6 million fair value gain on the Irongate Group investment.

Operating profit

\$7.1m

(June 2022: \$35.5 million)

Operating profit¹ of \$7.1 million (equating to 5.0cps) includes net property income of \$9.9 million² on the three investment properties acquired during the year. The prior year profit included a \$41.7 million operating gain recognised on the Irongate Group investment.

Distributions per security

6.0cps

(June 2022: 6.0cps)

The Fund continues to maintain consistent income distributions paying 6.0cps fully franked distributions during the year in line with the prior year.

Net tangible assets

\$0.91

per security
(June 2022: \$1.32)

The Fund's NTA of \$0.91 per security reflects a decrease of \$0.41 per security or 31.1% from 30 June 2022. The decrease in NTA was contributed to by the fair value loss on the investment properties comprising a loss on revaluation of 22.3cps and stamp duty and other acquisition costs of 14.7cps.

ASX closing price

\$0.68

per security
(June 2022: \$0.775)

The Fund's ASX closing price of \$0.68 per security was down from \$0.775 per security as at 30 June 2022.

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

² Net property income of \$9.9 million excluding IFRS adjustments including straight-lining of rental income and amortisation of lease incentives of \$1.4 million.

360 Capital REIT
Responsible Entity report
For the year ended 30 June 2023

Key operational achievements for the year ended 30 June 2023

**Investment Property
Portfolio**

\$225.0m

The Fund acquired three modern well leased investment properties during the year currently valued at \$225.0 million. The acquisitions were funded from proceeds from the realisation of investments together with a \$105.0 million finance facility, drawn to \$83.8 million as at 30 June 2023.

Realisation of investments

\$186.9m

During the year TOT realised proceeds of \$186.9 million from the disposal of listed investments and joint venture interests and deployed proceeds into three modern investment properties in line with the Fund's strategy.

360 Capital REIT Responsible Entity report For the year ended 30 June 2023

Financial overview

The Fund's statutory loss attributable to securityholders for the year was \$47.9 million (June 2022: profit \$33.7 million). The operating profit for the year was \$7.1 million (June 2022: \$35.5 million). The Fund's statutory balance sheet as at 30 June 2023 had gross assets of \$232.9 million (June 2022: \$201.8 million).

Significant transactions

In July 2022 TOT received proceeds of \$165.3 million associated with the implementation of the Irongate Group scheme. The proceeds from the sale were subsequently used to partly fund the acquisition of three properties from the Irongate Group portfolio.

During the year the Fund received \$21.6 million from the sale of its 50% interest in PMG Holdings Limited (PMG), a New Zealand fund manager.

Property Portfolio

In line with TOT's transition to a traditional diversified AREIT, TOT acquired a high quality, modern portfolio from Irongate Group as part of the transaction. The property portfolio comprises three modern properties located in Melbourne, Canberra and Brisbane with a Weighted Average Lease Expiry (WALE) of 7.4 years, average age of 2.8 years, and is now 93.3%¹ occupied following recent leasing at 510 Church Street, Cremorne VIC.

The property portfolio comprises:

- 510 Church Street, Cremorne VIC, a recently completed office/healthcare facility valued at \$115.0 million (50% interest) comprising 19,752 sqm of lettable area and 145 car parks;
- 38 Sydney Avenue, Canberra ACT refurbished in 2018, is an A-grade office building, valued at \$74.0 million comprising 8,718 sqm lettable area and 82 car parks; and
- 34 Southgate Ave, Cannon Hill QLD completed in September 2022, comprising a 3,585 sqm of lettable area high-tech industrial facility, 153 car parks, valued at \$36.0 million, and was pre-committed for Michael Hill International's global headquarters for 10 years.

The portfolio is well diversified, comprising 50.1% office/healthcare, 32.3% office 15.7% high-tech industrial assets and 1.9% retail across the eastern states. During the year the Fund leased 800 sqm of the vacant space at 510 Church Street, Cremorne VIC and commenced speculative fit out over remaining vacancy. The Fund also installed total of 200kW solar systems across 38 Sydney Avenue, Canberra ACT and 34 Southgate Ave, Cannon Hill QLD significantly increasing TOT's renewable energy generation to 260kW. The portfolio has a targeted average NABERS rating of 5 stars.

The Fund has a 4.5% interest in a fund which owns Fortius Sydney Homemaker HQ Trust worth \$4.3 million. This asset is considered non-core to TOT and is held for sale as a current financial asset in TOT's accounts.

Valuations

Independent valuations were instructed on two of the properties in June 2023, representing approximately 50% of the portfolio by value, with an internal valuation undertaken on 510 Church Street, Cremorne, VIC. The fair value loss on investment properties during the year totalled \$53.4 million comprising valuation decreases of \$32.2 million from the acquisition prices as a result of softening in capitalisation rates with the portfolio weighted average capitalisation rate expanding by 67bp to 5.33%, together with the write-off of capitalised stamp duty, acquisition and other costs of \$21.2 million.

Capital management

As part of the acquisition of the property portfolio, TOT entered into a 3-year facility with a major Australian bank. The facility limit is \$105.0 million and was drawn to \$83.8 million as at 30 June 2023. The gearing of the Funds was 34.9%² as at 30 June 2023 providing the Fund with \$21.2 million of headroom based on the facility covenant of 50%.

TOT's debt is currently unhedged, with the recent significant increases in interest rates, the weighted average all-in variable interest rate was 4.7% (including margin) during the year. TOT will implement its interest rate hedging strategy as part of its overall capital management strategy when interest rates normalise and future investment opportunities present themselves.

During the year, the Fund activated its Distribution Reinvestment Plan (DRP) for the June 2022 and September 2022 quarterly distributions, with 1,003,732 and 2,749,114 securities issued at an issue price of \$0.78 and \$0.77 per security respectively with the September 2022 DRP was fully underwritten. In the prior year, the Fund activated its DRP for the June 2021 and September 2021 quarterly distributions with 2,144,305 and 799,629 securities issued at an issue price of \$0.96 and \$0.86 per security respectively with the June 2021 DRP fully underwritten.

¹ Including the rental guarantee at 38 Sydney Ave, Canberra

² Gearing equals to borrowings less cash, divided by total assets less cash.

**360 Capital REIT
Responsible Entity report
For the year ended 30 June 2023**

Strategy and Outlook

TOT's strategy is to become a more relevant, diversified AREIT. The Fund is well positioned to benefit from this flight to quality with a very solid base of modern assets providing strong cashflows from well leased assets with minimal capital expenditure.

Continued upward inflationary pressures have now made many new developments unviable as the economic rents required to replace assets are beyond current market rates. In the short term this has and will continue to constrain new supply, supporting rental growth over the medium term. As the cycle progresses, bifurcation in asset quality will become more evident, as investors, financiers and occupiers place greater emphasis on modern assets with market leading sustainability credentials.

With the recent increase in interest rates impacting the Australian commercial real estate landscape, as can be seen from the S&P ASX300 AREIT index trading at an approximately 19% discount to the underlying net asset backing as at 30 June 2023, the investment environment is now such where TOT has the opportunity to undertake transactions which will provide greater diversification, scale, and investor appetite, improving returns to TOT securityholders.

Distributions

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

Distribution period	Date of payment	Amount per		
		Security (Cents)	30 June 2023 \$'000	30 June 2022 \$'000
September 2022 quarterly fully franked distribution	27 October 2022	1.50	2,125	-
December 2022 quarterly fully franked distribution	25 January 2023	1.50	2,167	-
March 2023 quarterly fully franked distribution	27 April 2023	1.50	2,166	-
June 2023 quarterly fully franked distribution	27 July 2023	1.50	2,167	-
		6.00	8,625	-
September 2021 quarter fully franked distribution	27 October 2021	1.50	-	2,098
December 2021 quarter fully franked distribution	27 January 2022	1.50	-	2,110
March 2022 quarterly fully franked distribution	27 April 2022	1.50	-	2,111
June 2022 quarterly fully franked distribution	27 July 2022	1.50	-	2,110
		6.00	-	8,429

Significant changes in the state of affairs

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

Likely developments and expected results of operations

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

Number of interests on issue

As at 30 June 2023 the number of securities on issue in the Fund was 144,436,537 (2022: 140,683,691).

Buy back arrangements

As detailed in the Fund constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem securities from stapled securityholders. During the year ended 30 June 2023 there were no security buy backs (2022: nil).

Environmental regulation

The directors of the Responsible Entity of the Fund, oversee the policies, procedures and systems that have been implemented to ensure adequacy of the Fund's environmental risk management practices. The Responsible Entity believes that adequate systems are in place for the management of the Fund's environmental responsibilities and compliance with its various license requirements and regulations and is not aware of any breaches of these requirements.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 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.

**360 Capital REIT
Responsible Entity report
For the year ended 30 June 2023**

Indemnity and insurance of officers

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

Indemnity and insurance of auditor

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

Non-audit services

The Fund's auditor, Ernst & Young Australia provided non-audit services to the Fund during the year. Details of these services are provided in Note 23. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Stapled group report

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

Rounding of amounts

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

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

On behalf of the directors



Tony Robert Pitt
Executive Chairman



David van Aanholt
Deputy Chairman

24 August 2023



**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 audit of the financial reports of 360 Capital REIT and 360 Capital Active REIT for the financial year ended 30 June 2023, 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;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit

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

Ernst & Young

Douglas Bain
Partner
24 August 2023

360 Capital REIT
Consolidated statements of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated		Active REIT	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
		\$'000	\$'000	\$'000	\$'000
Income					
Rental income	3	13,327	-	-	-
Distribution from property funds	3	155	7,950	155	7,950
Sale of inventory		-	3,020	-	3,020
Finance revenue	3	267	208	176	198
Underwriting fee income		-	273	-	273
Total revenue from continuing operations		13,749	11,451	331	11,441
Share of profits of associates accounted for using the equity method		-	1,344	-	1,344
Net fair value gain on financial assets	7	-	39,710	-	39,721
Net gain on foreign exchange		6	29	6	29
Reversal of loss allowance on financial assets		-	66	-	65
Net gain on disposal of equity accounted investments		2,576	80	2,576	37
Other income		80	-	20	-
Total revenue from continuing operations and other income		16,411	52,680	2,933	52,637
Expenses					
Property expenses and outgoings		(2,036)	(167)	-	(167)
Cost of sales		-	(2,835)	-	(2,835)
Transaction costs		(3,681)	(388)	(3,681)	(355)
Administration expenses		(362)	(425)	(179)	(265)
Management fees		(1,700)	(1,230)	(144)	(1,197)
Finance costs		(3,855)	(2)	-	(2)
Net fair value loss on investment properties	9	(53,359)	-	-	-
Net fair value loss on financial assets	7	(508)	-	(508)	-
Total expenses		(65,501)	(5,047)	(4,512)	(4,821)
Profit/(loss) before income tax		(49,090)	47,633	(1,579)	47,816
Income tax (expense)/benefit	4	1,169	(13,908)	1,169	(13,908)
Profit/(loss) for the year attributable to the securityholders of 360 Capital REIT		(47,921)	33,725	(410)	33,908
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year attributable to the securityholders of 360 Capital REIT		(47,921)	33,725	(410)	33,908
Total comprehensive income attributable to:					
		Consolidated		Active REIT	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Unitholders of 360 Capital Passive REIT		(47,511)	(183)	-	-
Unitholders of 360 Capital Active REIT		(410)	33,908	(410)	33,908
		(47,921)	33,725	(410)	33,908
		Cents	Cents		
Basic earnings per security	24	(33.4)	24.0		
Diluted earnings per security	24	(33.4)	24.0		

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 statements of financial position
As at 30 June 2023

		Consolidated		Active REIT	
	Note	30 June 2023	30 June 2022	30 June 2023	30 June 2022
		\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents		3,082	10,839	320	8,917
Trade and other receivables	5	552	546	74	535
Financial assets at fair value through profit or loss - current	6	4,263	166,719	4,263	166,719
Assets held for sale	8	-	18,892	-	18,892
Related party loan	25	-	-	65,775	-
Total current assets		7,897	196,996	70,432	195,063
Non-current assets					
Financial assets at fair value through profit or loss - non current	7	-	4,771	-	4,771
Investment properties	9	225,000	-	-	-
Total non-current assets		225,000	4,771	-	4,771
Total assets		232,897	201,767	70,432	199,834
Liabilities					
Current liabilities					
Trade and other payables	10	3,450	502	52	433
Income tax payable		11,793	216	11,793	216
Distribution payable		2,167	2,110	2,167	2,110
Related party loan	25	-	-	-	119,416
Total current liabilities		17,410	2,828	14,012	122,175
Non-current liabilities					
Borrowings	11	83,408	-	-	-
Deferred tax liabilities	12	628	13,827	628	13,827
Total non-current liabilities		84,036	13,827	628	13,827
Total liabilities		101,446	16,655	14,640	136,002
Net assets attributable to unitholders		131,451	185,112	55,792	63,832
Equity					
Issued capital	13	185,212	182,327	26,192	25,197
Retained profits/(accumulated losses)		(53,761)	2,785	29,600	38,635
Total equity		131,451	185,112	55,792	63,832

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

360 Capital REIT
Consolidated statements of changes in equity
For the year ended 30 June 2023

Consolidated	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021		179,589	(22,511)	157,078
Profit after income tax expense for the year		-	33,725	33,725
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	33,725	33,725
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Distribution reinvestment plan	13	2,757	-	2,757
Transaction cost incurred	13	(19)	-	(19)
Distributions	2	-	(8,429)	(8,429)
Balance at 30 June 2022		182,327	2,785	185,112

Consolidated	Note	Issued capital \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2022		182,327	2,785	185,112
Loss after income tax benefit for the year		-	(47,921)	(47,921)
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	(47,921)	(47,921)
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Distribution reinvestment plan	13	2,905	-	2,905
Transaction cost incurred	13	(20)	-	(20)
Distributions	2	-	(8,625)	(8,625)
Balance at 30 June 2023		185,212	(53,761)	131,451

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

360 Capital REIT
Consolidated statements of changes in equity
For the year ended 30 June 2023

Active REIT	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021		24,540	13,156	37,696
Profit after income tax expense for the year		-	33,908	33,908
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	33,908	33,908
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Distribution reinvestment plan	13	662	-	662
Transaction cost incurred	13	(5)	-	(5)
Distributions	2	-	(8,429)	(8,429)
Balance at 30 June 2022		25,197	38,635	63,832
Active REIT	Note	Issued capital \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022		25,197	38,635	63,832
Loss after income tax benefit for the year		-	(410)	(410)
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	(410)	(410)
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Distribution reinvestment plan	13	1,002	-	1,002
Transaction cost incurred	13	(7)	-	(7)
Distributions	2	-	(8,625)	(8,625)
Balance at 30 June 2023		26,192	29,600	55,792

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

360 Capital REIT
Consolidated statements of cash flows
For the year ended 30 June 2023

		Consolidated		Active REIT	
	Note	30 June 2023	30 June 2022	30 June 2023	30 June 2022
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		14,794	3,309	-	3,309
Payments to suppliers (inclusive of GST)		(4,856)	(4,462)	(612)	(4,015)
Dividends and distributions received		106	9,671	106	9,671
Finance revenue		247	320	175	311
Interest and other finance costs paid		(3,605)	(2)	-	(2)
Income tax paid		(453)	(2,206)	(453)	(2,207)
Net cash from/(used in) operating activities	14	6,233	6,630	(784)	7,067
Cash flows from investing activities					
Payment for investment properties		(276,726)	-	-	-
Payments for financial assets		-	(18,237)	-	(17,798)
Payments for equity accounted investments		-	(41)	-	(41)
Proceeds from disposal of financial assets		166,728	8,700	166,728	8,229
Proceeds from disposal of equity accounted investments		21,620	630	21,620	630
Loans receivable repaid		-	3,200	-	3,200
Payment of transaction and other costs		(3,728)	-	(3,728)	-
Net cash from/(used in) investing activities		(92,106)	(5,748)	184,620	(5,780)
Cash flows from financing activities					
Proceeds from issue of securities		1,393	1,434	481	-
Proceeds from borrowings		89,800	-	-	-
Repayment of borrowings		(6,000)	-	-	-
Security issue transaction costs		(20)	(20)	(7)	(5)
Distributions paid	2	(7,057)	(7,062)	(6,144)	(5,657)
Proceeds from related party loan		-	-	-	12,752
Repayment of related party loan		-	-	(186,763)	-
Net cash from/(used in) financing activities		78,116	(5,648)	(192,433)	7,090
Net increase/(decrease) in cash and cash equivalents		(7,757)	(4,766)	(8,597)	8,377
Cash and cash equivalents at the beginning of the financial year		10,839	15,605	8,917	540
Cash and cash equivalents at the end of the financial year		3,082	10,839	320	8,917

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 Executive Chairman of the Responsible Entity, monitors the performance and results of the Fund at a consolidated Fund level. As a result, the Fund has only one segment and no segment information is reported for the Active REIT.

Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for non-operating items which management consider to reflect the core earnings of the Fund and is used as a guide to assess the Fund's ability to pay distributions to stapled securityholders. The information provided is net of non-operating items comprising transaction costs, rent straight-lining adjustment, lease incentive amortisation, 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 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	
	30 June 2023	30 June 2022
	\$'000	\$'000
Profit/(loss) attributable to stapled securityholders of the Fund	(47,921)	33,725
Non-operating items		
Net (gain)/loss on fair value of financial assets	508	(39,710)
Loss allowance on loans receivable	-	(65)
Net loss on fair value of investment properties	53,359	-
Non-operating share of profits of equity accounted investment	-	42
Transaction and acquisition costs	3,681	524
Net foreign exchange gain	(6)	(29)
Distributable gain ²	-	41,713
Rent straight-lining adjustments	(1,411)	-
Lease incentive amortisation	40	-
Tax expense on non-operating items	(1,126)	(700)
Operating profit (profit before non-operating items)¹	7,124	35,500
Weighted average number of stapled securities ('000)	143,476	140,266
Operating profit (profit before non-operating items) per stapled security - cents	5.0	25.3

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 or review procedures by the Fund's auditor.

2. In the prior year, the Fund recognised an operating gain of \$41.7 million on the disposal of Irongate Group securities approved by security holders of Irongate Group under a Scheme of Arrangement between Charter Hall and Irongate Group on 29 June 2022.

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Notes to the consolidated financial statements
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Note 2. Distributions

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

	Date of payment	Amount per Security (Cents)	30 June 2023 \$'000	30 June 2022 \$'000
September 2022 quarterly fully franked distributions	27 October 2022	1.50	2,125	-
December 2022 quarterly fully franked distributions	25 January 2023	1.50	2,167	-
March 2023 quarterly fully franked distributions	27 April 2023	1.50	2,166	-
June 2023 quarterly fully franked distributions	27 July 2023	1.50	2,167	-
		6.00	8,625	-
September 2021 quarterly fully franked distributions	27 October 2021	1.50	-	2,098
December 2021 quarter fully franked distributions	27 January 2022	1.50	-	2,110
March 2022 quarterly fully franked distributions	27 April 2022	1.50	-	2,110
June 2022 quarterly fully franked distributions	27 July 2022	1.50	-	2,111
		6.00	-	8,429

Franking Credits

The final dividends recommended before 30 June 2023 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ended 30 June 2023.

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022: 25%) would be \$11,965,391 (2022: \$2,583,789).

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year. The amounts include franking credits that would be available to the parent entity, 360 Capital Active REIT, if distributable profits of subsidiaries were paid as dividends.

Note 3. Revenue

	Consolidated		Active REIT	
	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Rental income				
Rental income	10,567	-	-	-
Rent straight-lining adjustments	1,411	-	-	-
Recoverable outgoings	1,349	-	-	-
	13,327	-	-	-

	Consolidated		Active REIT	
	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Distribution from property funds				
Distributions received - listed investments	-	7,855	-	7,855
Distributions received - unlisted investments	155	95	155	95
	155	7,950	155	7,950

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Note 3. Revenue (continued)

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
Finance revenue				
Interest income - cash at bank	192	37	101	27
Interest income - loans receivable	75	171	75	171
	267	208	176	198

Note 4. Income tax expense/(benefit)

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>				
Profit/(loss) before income tax (expense)/benefit	(49,090)	47,633	(1,579)	47,816
Tax at the statutory tax rate of 30% (2022: 25%)	(14,727)	11,908	(474)	11,954
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Trust loss exempt from income tax	14,253	55	-	-
Gain on sale of active foreign business	(711)	-	(711)	-
Equity accounted profits	-	(335)	-	(335)
Other tax adjustments	(76)	(62)	(76)	(53)
Fair value gain on investment subject to 30% tax rate	-	2,231	-	2,231
	(1,261)	13,797	(1,261)	13,797
Prior year temporary differences not recognised now recognised	-	(39)	-	(39)
Adjustment to deferred tax balances as a result of change in statutory tax rate	84	-	84	-
Adjustment for current tax of prior years	8	150	8	150
Income tax expense/(benefit)	(1,169)	13,908	(1,169)	13,908

Note 5. Trade and other receivables

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
Trade receivables	374	440	-	440
GST receivables	3	75	3	72
Prepayments	89	15	5	7
Distribution receivables	66	16	66	16
Other receivables	20	-	-	-
	552	546	74	535

a) Allowance for expected credit losses

During the year, the Fund made a nil (30 June 2023: nil) expected credit losses (ECL) provision in respect of impairment under AASB 9 as this number is considered immaterial to the Fund.

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Note 5. Trade and other receivables (continued)

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

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Current assets</i>				
Investments in listed securities	-	165,256	-	165,256
Investments in unlisted securities	4,263	1,463	4,263	1,463
	4,263	166,719	4,263	166,719

Reconciliation

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

Balance at 1 July	166,719	6,111	166,719	6,111
Additions	-	7,286	-	7,286
Disposals	(166,728)	(8,183)	(166,728)	(8,183)
Gain on sale of financial assets	3	-	3	-
Fair value adjustment of financial assets	6	(3)	6	(3)
Reclassification from financial assets at fair value through profit or loss - non current	4,263	165,256	5,025	165,256
Reclassification to financial assets at fair value through profit or loss - non current	-	(3,748)	-	(3,748)
Closing fair value	4,263	166,719	5,025	166,719

Included in the disposals were listed securities of \$165.3 million related to Irongate Group securities that were realised following the implementation of the Irongate Group scheme.

The investments in unlisted securities at 30 June 2023 of \$4.3 million are transferred from Financial assets at fair value through profit or loss - non current as the intention is to dispose of the financial assets in the next 12 months.

Refer to Note 18 for further information on fair value measurement.

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

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Non-current assets</i>				
Investments in unlisted securities - non current	-	4,771	-	4,771
<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	4,771	116,055	4,771	116,055
Additions through market	-	10,962	-	10,524
Disposals through market	-	(471)	-	-
Gain on sale of financial asset	-	44	-	-
Fair value adjustment of financial assets	(508)	39,689	(508)	39,700
Reclassification to current financial assets at fair value through profit or loss - current	(4,263)	(165,256)	(4,263)	(165,256)
Reclassification from financial assets at fair value through profit or loss - current	-	3,748	-	3,748
Closing fair value	-	4,771	-	4,771

Refer to Note 18 for further information on fair value measurement.

Note 8. Assets held for sale

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Current assets</i>				
Assets held for sale	-	18,892	-	18,892

Reconciliation of movements in assets held for sale for the year are as follows:

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
PMG Holdings Limited				
Opening balance – 1 July	18,892	-	18,892	-
Reclassification from investments accounted for using the equity method	-	18,892	-	18,892
Proceeds from disposal	(21,620)	-	(21,620)	-
Gain on disposal	2,728	-	2,728	-
	-	18,892	-	18,892

During the year the Fund received \$21.6 million from the sale of its 50% interest in PMG Holdings Limited (PMG), a New Zealand fund manager. The Fund recognised a gain on disposal of \$2.7 million before selling costs.

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Note 9. Investment properties

Property	Fair value		Capitalisation rate		Discount rate		30 June 2023	Last independent valuation date
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022		
	\$'000	\$'000	%	%	%	%	Valuers	
38 Sydney Ave, Canberra ACT	74,000	-	5.50%	-	6.50%	-	JLL	June 2023
510 Church St, Cremorne VIC	115,000	-	5.25%	-	6.00%	-	Directors	May 2022
34 Southgate Ave, Cannon Hill QLD	36,000	-	5.25%	-	6.00%	-	CBRE	June 2023
Total	225,000	-						

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

- 38 Sydney Ave, Canberra ACT for a gross purchase price of \$81.7 million, settled on 28 July 2022;
- 510 Church Street, Cremorne VIC for a gross purchase price of \$135.0 million (50% of ownership), settled on 12 August 2022; and
- 34 Southgate Ave, Cannon Hill QLD for a gross purchase price of \$40.8 million, settled on 19 September 2022.

38 Sydney Ave, Canberra ACT

38 Sydney Avenue, refurbished in 2018, is an A-grade office building currently 100%¹occupied comprising 8,718 sqm lettable area across 4 levels of office accommodation, ground floor retail and 82 car parks. The major tenant is the Australian National Audit Office which occupies 55.7% of the lettable area with a lease expiring in December 2034. The property has a 8.3-year Weighted Average Lease Expiry (WALE). The building has a NABERS Energy rating of 4.5 stars and NABERS Water rating of 5 stars.

510 Church St, Cremorne VIC

510 Church Street is a brand-new A-grade office/healthcare building currently 86.9% occupied comprising 19,752 sqm of lettable area across 9 levels of office accommodation, ground floor retail and 145 car parks. The property has a diverse tenant mix, a 6.4 year WALE. The property was constructed to achieve a 5 Star NABERS Energy Rating and 5 Star Green Star Design Rating.

34 Southgate Ave, Cannon Hill QLD

34 Southgate Avenue is a brand-new A-grade high-tech industrial building comprising 3,585 sqm of lettable area and 153 car parks. The building and tenant fit out works were completed in September 2022. The whole property is 100% occupied by Michael Hill International Limited (ASX:MHJ) with 9.2 years remaining and 3.0% fixed annual rent reviews.

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Opening balance	-	-
Acquisition price	257,151	-
Acquisition costs	18,493	-
Additions	249	-
Lease incentives	1,095	-
Lease incentives amortisation	(40)	-
Rent straight-lining adjustments	1,411	-
Fair value adjustment	(53,359)	-
Closing balance	225,000	-

Leases as lessor

The Fund leases out its investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

¹ Inclusive of rental guarantee

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Note 9. Investment properties (continued)

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Less than one year	10,864	-
Between one and two years	10,734	-
Between two and three years	10,476	-
Between three and four years	10,820	-
Between four and five years	11,176	-
More than five years	45,978	-
	100,048	-

Valuation techniques and significant unobservable inputs (Level 3)

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

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

As at 30 June 2023, the Fund has undertaken independent external valuations for 38 Sydney Ave, Canberra ACT and 34 Southgate Ave, Cannon Hill QLD, representing approximately 50% of the portfolio by value, with an internal director's valuation undertaken on 510 Church St, Cremorne VIC.

The valuations were prepared by considering the following valuation methodologies:

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

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

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

Fair value at 30 June 2023	Capitalisation rate	
	+0.25%	-0.25%
\$'000	\$'000	\$'000
225,000	(10,081)	11,074

Given the unknown future impact that the current volatile macroeconomic conditions, including the high inflation and increasing interest rate environment, might have on the commercial real estate market and global market in general, a higher degree of judgement and consideration is required in assessing the significant inputs that determine property valuations. The Fund has continued to re-assess the valuation method to ensure appropriate consideration given to inputs used.

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Note 10. Trade and other payables

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Current liabilities</i>				
Trade payables	264	259	-	257
Accruals - finance costs	705	-	-	-
Accruals - others	382	243	52	176
GST payable	118	-	-	-
Prepaid income	1,981	-	-	-
	3,450	502	52	433

Refer to Note 17 for further information on financial instruments.

Note 11. Borrowings

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Non-current liabilities</i>				
Bank loans - secured	83,800	-	-	-
Borrowing costs	(392)	-	-	-
	83,408	-	-	-

On 21 July 2022, the Fund signed a loan facility agreement with a bank for a facility limit of \$105.0 million for a term of 3 years to fund the purchase of the 3 investment properties. The bank loans are secured by first mortgages over the 3 investment properties. The weighted average all-in variable interest rate was 4.7% (including margin) during the year.

Movements in the carrying value during the year are set out below:

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
Balance at start of the year	-	-	-	-
Loan drawdowns	83,800	-	-	-
Borrowing costs capitalised	(566)	-	-	-
Borrowing costs amortised	174	-	-	-
Closing balance	83,408	-	-	-

As at 30 June 2023, the Fund has the following debt facilities:

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
Secured loan facilities				
Facility limited	105,000	-	-	-
Facility unused	(21,200)	-	-	-
Facility used	83,800	-	-	-

360 Capital REIT
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Note 11. Borrowings (continued)

Debt covenants

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

- Loan to value ratio: the borrowings amount must not exceed 50% of the fair value of the investment properties; and
- Interest coverage ratio (ICR): the ratio of net property income to finance costs on borrowings is not to be less than 1.8 times. Post the year end, the financier agreed to reduce the ICR to 1.5 times.

A breach of these covenants may trigger the voluntary prepayment of an amount to cure the covenant breach. The Fund performed a review of debt covenants as at 30 June 2023 and no breaches were identified.

Refer to Note 17 for further information on financial instruments.

Note 12. Deferred tax liabilities

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Non-current liabilities</i>				
Deferred tax assets comprise temporary differences attributable to:				
Accrued expenses	15	12	15	12
Business acquisition costs	54	132	54	132
	69	144	69	144
Deferred tax liabilities comprise temporary differences attributable to:				
Unrealised gain on investment	(697)	(13,971)	(697)	(13,971)
	(697)	(13,971)	(697)	(13,971)
Net deferred tax liabilities	(628)	(13,827)	(628)	(13,827)

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

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	(13,827)	(835)	(13,827)	(835)
Fair value movement on investments	(48)	(12,859)	(48)	(12,859)
Realised deferred tax liabilities	13,388	-	13,388	-
Recognition of other timing differences	(141)	(133)	(141)	(133)
Closing balance	(628)	(13,827)	(628)	(13,827)
Net deferred tax liabilities expected to reverse within 12 months	15	(13,376)	15	(13,376)
Net deferred tax liabilities expected to reverse after more than 12 months	(643)	(451)	(643)	(451)
	(628)	(13,827)	(628)	(13,827)

Note 13. Issued capital

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

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Note 13. Issued capital (continued)

Ordinary securities

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

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

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

Equity classification

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

(a) Issued capital

	Consolidated			
	30 June 2023 Securities '000	30 June 2022 Securities '000	30 June 2023 \$'000	30 June 2022 \$'000
Issued capital - trust units	144,437	140,684	185,212	182,327

	Active REIT			
	30 June 2023 Securities '000	30 June 2022 Securities '000	30 June 2023 \$'000	30 June 2022 \$'000
Issued capital - trust units	144,437	140,684	26,192	25,197

(b) Movements in issued capital

Movements in issued capital - 360 Capital REIT

Details	Date	Securities '000	Issue price	\$'000
Balance	1 July 2021	137,740		179,589
Securities issued	28 July 2021	2,144	\$0.96	2,065
Transaction costs incurred with issue of securities	28 July 2021	-		(15)
Securities issued	27 October 2021	800	\$0.86	692
Transaction costs incurred with issue of securities	27 October 2021	-		(4)
Balance	30 June 2022	140,684		182,327

Details	Date	Securities '000	Issue price	\$'000
Balance	1 July 2022	140,684		182,327
Securities issued	27 July 2022	1,004	\$0.78	780
Transaction costs incurred with issue of securities	27 July 2022	-		(4)
Securities issued	27 October 2022	2,749	\$0.77	2,125
Transaction costs incurred with issue of securities	27 October 2022	-		(16)
Balance	30 June 2023	144,437		185,212

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 13. Issued capital (continued)

Movements in issued capital - 360 Capital Active REIT

Details	Date	Securities '000	Issue 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	-		(4)
Securities Issued	27 October 2021	800	\$0.21	166
Transaction costs incurred with issue of securities	27 October 2021	-		(1)
Balance	30 June 2022	140,684		25,197

Details	Date	Securities '000	Issue price	\$'000
Balance	1 July 2022	140,684		25,197
Securities issued	27 July 2022	1,004	\$0.27	269
Transaction costs incurred with issue of securities	27 July 2022	-		(2)
Securities issued	27 October 2022	2,749	\$0.27	733
Transaction costs incurred with issue of securities	27 October 2022	-		(5)
Balance	30 June 2023	144,437		26,192

Buy back

During the year the Fund did not buy back and cancel any securities (30 June 2023: nil).

Distribution reinvestment plan (DRP)

During the year, the Fund activated its DRP for the June 2022 and September 2022 quarterly distributions, with 1,003,732 and 2,749,114 securities issued at an issue price of \$0.78 and \$0.77 per security respectively with the September 2022 DRP fully underwritten. In the prior year, the Fund activated its DRP for the June 2021 and September 2021 quarterly distributions with 2,144,305 and 799,629 securities issued at an issue price of \$0.96 and \$0.86 per security respectively with the June 2021 DRP fully underwritten.

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 14. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated 30 June 2023 \$'000	Consolidated 30 June 2022 \$'000	Active REIT 30 June 2023 \$'000	Active REIT 30 June 2022 \$'000
Profit/(loss) after income tax expense for the year	(47,921)	33,725	(410)	33,908
Adjustments for:				
Loss allowance loans receivable	-	(66)	-	(65)
Net gain on disposal of equity accounted investments	(2,576)	(80)	(2,576)	(37)
Net gain on fair value of financial assets	-	(39,710)	-	(39,721)
Share of equity accounted profit	-	(1,344)	-	(1,344)
Rent straight-lining adjustments	(1,411)	-	-	-
Net gain on foreign exchange currency	(6)	(29)	(6)	(29)
Net loss on fair value of investment properties	53,359	-	-	-
Net loss on fair value of financial assets	508	-	508	-
Lease incentive amortisation	40	-	-	-
Transaction costs	3,681	9	3,681	8
Change in operating assets and liabilities:				
(Increase) /decrease in receivables	(525)	1,934	22	1,940
Decrease in inventories	-	2,835	-	2,835
Increase /(decrease) in trade and other payables	1,084	9,356	(2,003)	9,572
Net cash from/(used in) operating activities	6,233	6,630	(784)	7,067

Note 15. Critical accounting judgements, estimates and assumptions

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

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

The 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.

Investment properties

Significant estimates and assumptions were applied to the valuation of investment properties. The fair values of the investment properties were determined by the directors of the Responsible Entity with reference to independent external valuations or internal valuations. Refer to Note 9 – Investment properties for the discussion on key assumptions.

Income tax

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

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

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 15. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

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

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

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 securities, purchase the Fund's own securities, or sell assets to reduce debt.

During the year the Fund did not buy back and cancel any securities (2022: nil)

During the year, the Fund activated its DRP for the June 2022 and September 2022 quarterly distributions, with 1,003,732 and 2,749,114 securities issued at an issue price of \$0.78 and \$0.77 per security respectively. In the prior year, the Fund activated its DRP for the June 2021 and September 2021 quarterly distributions with 2,144,305 and 799,629 securities issued at an issue price of \$0.96 and \$0.86 per security respectively. The September 2022 and the June 2021 DRPs were fully underwritten.

On 21 July 2022, the Fund has executed a loan facility agreement with an Australian bank for a facility limit of \$105.0 million to fund the purchase of the 3 investment properties. The bank loan is secured by the 3 investment properties and was drawn to \$83.8 million as at 30 June 2023.

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

Note 17. Financial instruments

Overview

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

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

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

Market risk

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

Foreign currency risk

The Fund's foreign exchange rate risk arises from overseas investments. During the year, some investments were denominated in foreign currencies and exposed the Fund to foreign exchange rate risk.

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 tables below illustrate the potential impact a change in the security price by +/-1% would have had on the Fund's profit.

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 17. Financial instruments (continued)

	Average price increase			Average price decrease		
	% change	Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 30 June 2023						
Financial assets at fair value through profit or loss	1%	50	50	(1%)	(50)	(50)

	Average price increase			Average price decrease		
	% change	Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 30 June 2022						
Financial assets at fair value through profit or loss	1%	1,715	1,715	(1%)	(1,715)	(1,715)

	Average price increase			Average price decrease		
	% change	Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
Active REIT - 30 June 2023						
Financial assets at fair value through profit or loss	1%	50	50	(1%)	(50)	(50)

	Average price increase			Average price decrease		
	% change	Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
Active REIT - 30 June 2022						
Financial assets at fair value through profit or loss	1%	1,715	1,715	(1%)	(1,715)	(1,715)

Interest rate risk

The Fund's main interest rate risk arises from cash balances and borrowings. The potential impact of a change in interest rates by +/- 100bps on profit has been disclosed in the tables below.

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 30 June 2023						
Cash and cash equivalents	100	31	31	(100)	(31)	(31)
Borrowings	100	(838)	(838)	(100)	838	838
		(807)	(807)		807	807

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 30 June 2022						
Cash and cash equivalents	100	108	108	(100)	(108)	(108)

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 17. Financial instruments (continued)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000
Active REIT - 30 June 2023						
Cash and cash equivalents	100	3	3	(100)	(3)	(3)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000	Basis points change	Effect on profit before tax \$'000	Effect on equity \$'000
Active REIT - 30 June 2022						
Cash and cash equivalents	100	89	89	(100)	(89)	(89)

Credit risk

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

	Consolidated		Active REIT	
	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Cash and cash equivalents	3,082	10,839	320	8,917
Trade and other receivables	460	456	66	456
Related party loan	-	-	65,775	-
	3,542	11,295	66,161	9,373

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

Liquidity risk

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

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

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

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

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For the year ended 30 June 2023

Note 17. Financial instruments (continued)

Remaining contractual maturities

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 30 June 2023	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	3,332	-	-	-	3,332
Distribution payable	-	2,167	-	-	-	2,167
<i>Interest bearing</i>						
Borrowings	5.12%	4,286	88,403	-	-	92,689
Total non-derivatives		9,785	88,403	-	-	98,188

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 30 June 2022	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	502	-	-	-	502
Distribution payable	-	2,110	-	-	-	2,110
Total non-derivatives		2,612	-	-	-	2,612

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Active REIT - 30 June 2023	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	52	-	-	-	52
Distribution payable	-	2,167	-	-	-	2,167
Total non-derivatives		2,219	-	-	-	2,219

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Active REIT - 30 June 2022	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	433	-	-	-	433
Distribution payable	-	2,110	-	-	-	2,110
Related party loan	-	119,416	-	-	-	119,416
Total non-derivatives		121,959	-	-	-	121,959

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

Fair value of financial instruments

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

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Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 18. Fair value measurement

Fair value hierarchy

The fair value of the Fund's financial assets and liabilities are approximately equal to that of their carrying values as at 30 June 2023. The fair values of cash and cash equivalents, receivables, trade and other payables, distributions payable, related party loan and bank borrowings 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: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2023	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Financial assets at fair value through profit or loss	-	-	4,263	4,263
Total assets	-	-	4,263	4,263

Consolidated - 30 June 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Financial assets at fair value through profit or loss	166,688	-	4,802	171,490
Total assets	166,688	-	4,802	171,490

Active REIT - 30 June 2023	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Financial assets at fair value through profit of loss	-	-	4,263	4,263
Total assets	-	-	4,263	4,263

Active REIT - 30 June 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Financial assets at fair value through profit of loss	166,688	-	4,802	171,490
Total assets	166,688	-	4,802	171,490

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

There were no transfers between Level 1, Level 2 or Level 3 fair value measurements during the 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).

360 Capital REIT
Notes to the consolidated financial statements
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Note 19. Controlled entities

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2023 %	30 June 2022 %
360 Capital Active REIT ¹	Australia	100%	100%
360 Capital TOT Residential Pty Limited ^{2,3}	Australia	100%	100%
URB Investments Pty Limited ²	Australia	100%	100%
360 Capital Whiskey Trust ^{2,4}	Australia	-	100%
360 Capital IG Trust ²	Australia	100%	100%
360 Capital IG Investment Trust ⁵	Australia	-	100%
360 Capital TOT Finance Trust	Australia	100%	100%
360 Capital Private Debt Fund	Australia	100%	100%
360 Capital REIT Property Trust ⁶	Australia	100%	100%

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

Name	Principal place of business / Country of incorporation	Ownership interest	Ownership interest
		30 June 2023 %	30 June 2022 %
360 Capital TOT Residential Pty Limited ³	Australia	100%	100%
URB Investments Pty Limited	Australia	100%	100%
360 Capital Whiskey Trust ⁴	Australia	-	100%
360 Capital IG Trust	Australia	100%	100%

1. 360 Capital Active REIT forms part of the stapled entity 360 Capital REIT, which is a consolidated entity and units are held by Securityholders.

2. Entities controlled by stapled entity 360 Capital Active REIT which forms part of the consolidated entity's financial results.

3. An application was made on 16 May 2023 for 360 Capital TOT Residential Pty Limited to be deregistered voluntarily.

4. 360 Capital Whiskey Trust was terminated on 12 December 2022.

5. 360 Capital IG Investment Trust was terminated on 23 June 2023.

6. 360 Capital REIT Property Trust was established on 17 March 2022.

Note 20. Business combinations

There are no business combinations during the current and prior year.

Note 21. Commitments and contingencies

Capital expenditure commitments

Commitments arising from contracts principally relating to the committed tenant incentives contracted for at balance date but not recognised on the Consolidated Statement of Financial Position are shown below.

	Consolidated		Active REIT	
	30 June 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Tenant incentives	1,545	-	-	-

There are no other commitments or contingent liabilities as at the end of the financial year (2022: Nil).

Note 22. Events after the reporting period

Other than as disclosed in this report, no other matter or circumstance has arisen since 30 June 2023 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.

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 23. Remuneration of auditors

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

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<i>Assurance services - Ernst & Young</i>				
Audit of the financial statements	126,650	82,000	63,325	41,000
Compliance plan audit	13,316	12,800	6,658	6,400
	139,966	94,800	69,983	47,400
<i>Other services - Ernst & Young</i>				
Preparation of the tax return	15,300	12,500	9,000	9,000
Distribution review fee	5,500	3,300	-	-
	20,800	15,800	9,000	9,000
	160,766	110,600	78,983	56,400

Note 24. Earnings per security

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Profit/(loss) after income tax attributable to the securityholders of 360 Capital REIT	(47,921)	33,725
	Number	Number
	'000	'000
Weighted average number of ordinary securities used in calculating basic earnings per security	143,476	140,267
Weighted average number of ordinary securities used in calculating diluted earnings per security	143,476	140,267
	Cents	Cents
Basic earnings per security	(33.4)	24.0
Diluted earnings per security	(33.4)	24.0
	Active REIT	Active REIT
	30 June 2023	30 June 2022
	\$'000	\$'000
Profit after income tax attributable to the securityholders of 360 Capital REIT	108	33,908
	Number	Number
	'000	'000
Weighted average number of ordinary securities used in calculating basic earnings per security	143,476	140,267
Weighted average number of ordinary securities used in calculating diluted earnings per security	143,476	140,267

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 24. Earnings per security (continued)

	Cents	Cents
Basic earnings per security	0.1	24.2
Diluted earnings per security	0.1	24.2

Note 25. Related party transactions

Responsible entity

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

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

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

Controlled entities

Interests in associates are set out in Note 19.

Responsible Entity's fees and other transactions

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
<i>Management of the fund</i>				
Management fee	1,700,365	1,229,371	144,592	1,197,455
Acquisition fees	2,571,509	30,200	-	30,200
Disposal fees	216,207	-	216,207	-
Fund recoveries	83,287	55,861	71,525	27,931
	4,571,368	1,315,432	432,324	1,255,586

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

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

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

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. The Responsible Entity has agreed to waive ongoing Performance Fees (as defined under the Fund's constitution) however this waiver does not extend to fees which become payable as a result of a change of control.

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

Securityholdings

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

	30 June 2023	30 June 2023	30 June 2022	30 June 2022
	%	securities	%	securities
360 Capital Property Limited				
Stapled securities held	26.1%	37,658,054	24.5%	34,507,265

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 25. Related party transactions (continued)

360 Capital Property Limited participated in TOT's DRP in June 2022 and September 2022 quarterly distributions and acquired 665,906 securities and 682,445 securities respectively. It also sub-underwrote the DRP of TOT's September 2022 quarterly distribution on 27 October 2022, acquiring 1,802,438 securities at a price of \$0.7731, for consideration of \$1,393,465. As a result, 360 Capital Property Limited's holdings in TOT increased from 24.5% to 26.1% during the year.

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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
Distributions paid/payable by the Fund	2,222,210	1,976,962	2,222,210	1,976,962

Receivables from and payables to related parties

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
Trade and other payable	126,332	109,378	2,523	108,322
Distribution payables	567,871	517,609	567,871	507,609
	694,203	626,987	570,394	615,931

Related party loan

The Active REIT has a loan with the Passive REIT which relates to the working capital requirements between the two stapled entities. The balance of the loan receivable at 30 June 2023 is \$65,775,344 (30 June 2022: payable \$119,416,183). This loan is non-interest bearing and at call.

Joint Venture

During the year the Fund received \$21,620,708 from the sale of its 50% interest in PMG Holdings Limited (PMG), a New Zealand fund manager. In April 2021 the Fund participated as an underwriter in the capital raise for one of PMG's unlisted property funds in New Zealand - PMG Generation Fund. The amount of distribution income received during the year was \$12,800 (June 2022: \$51,764). The underlying units were fully disposed of in November 2022 (June 2022: 1,388,000 units remaining representing \$1,431,524).

Key management personnel (KMP)

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 directors and KMP. The KMP of the Responsible Entity during the year were as follows:

- Tony Robert Pitt (Executive chairman), Director
- David van Aanholt (Deputy chairman), Director
- William John Ballhausen, Director (resigned on 30 June 2023)
- Andrew Graeme Moffat, Director
- Anthony Gregory McGrath, Director
- Glenn Kevin Butterworth, Chief Financial Officer and Company Secretary

360 Capital REIT
Notes to the consolidated financial statements
For the year ended 30 June 2023

Note 25. Related party transactions (continued)

Management personnel unitholdings

The number of units held directly or indirectly by directors, KMP and their related parties as at 30 June 2023 are as follows:

Name	Position	30 June 2022	Acquisitions/ Disposals	Other changes ¹	30 June 2023
		Equity Holding			Equity Holding
David van Aanholt	Director	75,217	2,940	-	78,157
Tony Robert Pitt	Director	1,172,265	45,807	-	1,218,072
William John Ballhausen ¹	Director	120,000	-	(120,000)	-
Andrew Graeme Moffat	Director	548,575	21,435	-	570,010
Glenn Kevin Butterworth	Chief Financial Officer and Company Secretary	47,573	1,097	-	48,670

1. William John Ballhausen resigned from Director effective 30 June 2023, from this date his securities held were no longer reported.

Note 26. Parent entity disclosures

The following details information relating to the parent entity 360 Capital Passive REIT (for Consolidated) and 360 Capital Active REIT (for Active REIT). The information presented below has been prepared using the consistent accounting policies as presented in Note 27.

	Consolidated		Active REIT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
Current assets	73	1,950	53	26,378
Non-current assets	142,804	141,389	57,218	8,755
Total assets	142,877	143,339	57,271	35,133
Current liabilities	178	86	1,922	1,275
Total liabilities	178	86	1,922	1,275
Issued capital	159,020	157,130	26,191	25,197
Retained profits/(accumulated losses)	(16,321)	(13,877)	29,158	8,661
Total equity	142,699	143,253	55,349	33,858
Net (loss)/profit for the year	(2,445)	(183)	29,122	12,830
Total comprehensive profit for the year attributable to securityholders	(2,445)	(183)	29,122	12,830

Note 27. Significant accounting policies

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

New and amended Australian Accounting Standards and Interpretations that are effective for the current year

The consolidated entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the consolidated entity include:

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

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

There were no other changes to the consolidated entity's accounting policies for the financial reporting year commencing 1 July 2022. The remaining policies of the consolidated entity are consistent with the prior year.

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 27. Significant accounting policies (continued)

Basis of preparation

Statement of compliance

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

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 15.

Stapled group reports

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

Rounding

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

Basis of consolidation

Stapling

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

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

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

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

The stapling arrangement will cease upon the earlier of the winding up of any of the stapled entities, or any of the entities terminating the stapling arrangement.

Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Fund as at 30 June 2023 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.

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 27. 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.

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 Executive Chairman, who is the Chief Operating Decision Maker (CODM) within the Fund. There is only one segment representing the Fund's investments in real estate equity in Australia and New Zealand and its performance is reviewed at this level.

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:

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income not received at reporting date is reflected in the consolidated statement of financial position as a receivable. If rents are paid in advance these amounts are recorded as payables in the consolidated statement of financial position.

Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises, irrespective of the incentive's nature or form or the timing of payments. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

Contingent rents based on the future amount of a factor that changes other than with the passage of time are only recognised when charged.

Recoverable outgoings

The Fund recovers the costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements. These are invoiced monthly based on an annual estimate. The consideration is due 30 days from the invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of profit or loss and other comprehensive income within the same reporting period and billed annually.

Distributions from property funds

Distribution income from investments is recognised when the securityholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the securityholder 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.

Finance expenses

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

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 27. Significant accounting policies (continued)

Income tax

Passive Fund

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

Active Fund

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

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

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

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

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

Impairment of assets

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

Cash and cash equivalents

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

Trade and other receivables

Receivables 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.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

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

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

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 27. Significant accounting policies (continued)

Joint ventures

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

Financial instruments

Financial assets and financial liabilities are recognised when a Fund entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures a financial assets and financial liabilities (other than trade receivables, 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 are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

Loans and other receivables

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

Financial assets at fair value through profit or loss

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

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

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

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

Financial liabilities and equity

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

Impairment of financial assets

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

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 27. Significant accounting policies (continued)

Investment Properties

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

Trade and other payables

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

Borrowings

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

Provisions

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

Fair value measurement

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

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

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

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

Issued capital

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

Business combinations

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

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

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

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

360 Capital REIT

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 27. Significant accounting policies (continued)

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

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

Goods and Services Tax (GST)

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

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

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

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (application date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (application 1 January 2023) and AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* (application date 1 January 2023)
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (application date 1 January 2023)
- AASB2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (application date 1 January 2025)

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

360 Capital REIT
Directors' declaration
For the year ended 30 June 2023

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 44 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 2023 and of its performance for the 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 when they become due and payable.
- 3) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and the Chief Financial Officer for the financial year ended 30 June 2023.
- 4) The Directors draw attention to Note 27 to the 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.



Tony Robert Pitt
Executive Chairman



David van Aanholt
Deputy Chairman

24 August 2023

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

Report on the audit of the financial report

Opinion

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

- ▶ The Group's consolidated statement of financial position as at 30 June 2023;
- ▶ TOTA's consolidated statement of financial position as at 30 June 2023;
- ▶ 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 year then ended;
- ▶ TOTA's consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;
- ▶ Notes to the financial statements, including a summary of significant accounting policies; and
- ▶ The directors' declaration.

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

- a. Giving a true and fair view of the Group's and TOTA's financial positions as at 30 June 2023 and of their financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

Investment property valuations

Why significant	How our audit addressed the key audit matter
<p>The Group holds economic interests in commercial investment properties which are carried at a fair value of \$225 million at 30 June 2023. Collectively they represent 96% of total assets.</p> <p>Fair values were determined by the directors with reference to either external independent property valuations or internal valuations, and are based on market conditions existing at the reporting date.</p> <p>We considered this to be a key audit matter as property valuations are based on certain assumptions, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.</p> <p>We draw attention to Note 9 of the financial report which discloses the accounting policy for these assets and sensitivities to changes in the key assumptions that may impact these valuations.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We discussed the following matters with management: <ul style="list-style-type: none"> – Movements in the Group's investment property portfolio; – Changes in the condition of each property; and – Changes in the Group's investment property portfolio including understanding leasing activity and tenant occupancy risk. • On a sample basis, we performed the following procedures on the assumptions adopted in both internal and external valuations: <ul style="list-style-type: none"> – We assessed net income, lease expiry and vacancy assumptions adopted against the schedule of tenancy reports, lease expiry profile and vacancy levels; – We assessed the re-leasing and capital expenditure requirement assumptions in terms of the current leasing status of the property; – Where available, we corroborated these assumptions to supporting lease documentation or external market data; and

Why significant	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> - Tested the mathematical accuracy of valuations. • We evaluated the suitability of the valuation methodology used in internal and external valuations. • We involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies used in both internal and external valuations. • Where relevant, we assessed the reasonableness of comparable transactions utilised by the Group in the valuation process. • We assessed the qualifications, competence and objectivity of the external and internal valuers used by the Group. • We assessed the adequacy and appropriateness of disclosures included in Note 9 of the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2023 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the

Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's 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 reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or TOTA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or TOTA to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young



Douglas Bain
Partner
Sydney
24 August 2023

360 Capital REIT
Securityholder information
For the year ended 30 June 2023

The information below was prepared as at 16 August 2023.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
360 CAPITAL PROPERTY LIMITED	37,658,054	26.07
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,053,961	8.35
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	8,718,788	6.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,802,116	4.02
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	2,920,070	2.02
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	2,547,819	1.76
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,134,986	1.48
NATIONAL NOMINEES LIMITED	1,484,152	1.03
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,380,911	0.96
COLONIAL FIRST STATE INV LTD <3041001 PETERS A/C>	847,458	0.59
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	835,473	0.58
TT INVESTMENTS PTY LTD <TT INVESTMENT A/C>	779,552	0.54
COLONIAL FIRST STATE INV LTD <3051367 INVESTMENTS A/C>	677,966	0.47
MR HAMID ROBOUBI & MRS JILLIAN ANNE ROBOUBI	602,989	0.42
COWOSO CAPITAL PTY LTD <COWOSO SUPER FUND A/C>	570,010	0.39
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	562,906	0.39
RAYMONDE HOLDINGS PTY LTD <GRAFIC STAFF SUPER FUND A/C>	509,000	0.35
GLENGALLAN INVESTMENTS PTY LTD	500,000	0.35
CELLAR STOCKS PTY LTD <CELLAR INVESTMENT A/C>	460,000	0.32
STANBOX NO 2 PTY LTD	450,000	0.31
Total units held by top 20 unitholders	81,496,211	56.42
Total units on issue	144,436,537	100.00

b) Distribution of securityholders:

Number of securities held by securityholders	Number of holders	securities held	% of issued securities
1 to 1,000	378	95,184	0.07
1,001 to 5,000	657	1,957,068	1.35
5,001 to 10,000	456	3,746,308	2.59
10,001 to 100,000	1,097	37,659,775	26.07
100,001 and over	127	100,978,202	69.91
Totals	2,715	144,436,537	100.00

The total number of securityholders with less than a marketable parcel was 278 and they hold 16,340 securities.

c) Substantial securityholder notices:

Securityholder Name	Date of notice	securities held	% of issued securities
360 Capital Property Limited and associates	27/10/2022	38,876,126	26.92
Washington H Soul Pattinson and Company Limited	20/12/2019	8,984,749	6.26
Greig & Harrison Pty Ltd	30/08/2022	7,137,906	5.04

d) Voting rights:

Subject to the Constitutions of 360 Capital Active REIT and 360 Capital Passive REIT and to any rights or restrictions for the time being attached to any stapled securities:

- on a show of hands, each securityholder present in person or by proxy, attorney, or representative has one vote; and
- on a poll, each securityholder has:
 - in the case of a resolution of 360 Capital Active REIT, one vote for each unit in 360 Capital Active REIT held; and
 - in the case of a resolution of 360 Capital Passive REIT, one vote for each unit in 360 Capital Passive REIT held.

**360 Capital REIT
Glossary
For the year ended 30 June 2023**

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

360 Capital REIT
Corporate directory
For the year ended 30 June 2023

Parent Entity

360 Capital Passive REIT
ARSN 602 304 432

Directors & Officers

Non-Executive Directors

David van Aanholt (Deputy Chairman)
William John Ballhausen (resigned on 30 June 2023)
Andrew Graeme Moffat
Anthony Gregory McGrath

Executive Director

Tony Robert Pitt (Executive Chairman)

Officers

Glenn Butterworth – Chief Financial Officer and Company Secretary

Responsible Entity

360 Capital FM Limited
ACN 090 664 396
AFSL 221 474
Suite 3701, Level 37, 1 Macquarie Place, Sydney NSW 2000
Telephone 02 8405 8860
Email: investor.relations@360capital.com.au

Unit Registry

Boardroom Pty Limited
ACN 003 209 836
Level 8 210 George Street Sydney NSW 2000
Telephone 1300 737 760
Email: enquiries@boardroomlimited.com.au

Auditor

Ernst & Young
200 George Street Sydney NSW 2000

Website

www.360capital.com.au

360 Capital **Identifying**
strategic investment
opportunities



360capital.com.au