360 Capital

ASX Release

7 August 2023

360 Capital Mortgage REIT (ASX: TCF)

Appendix 4E for the year ended 30 June 2023

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 for announcement to the market

	30 June 2023 $'000	30 June 2022 $'000	Movement $'000	Movement %
Revenue and other income from ordinary activities	1,986	1,587	399	25.1
Profit for the year attributable to unitholders	1,609	1,378	231	16.8

	30 June 2023 Cents per unit	30 June 2022 Cents per unit	Movement Cents per unit	Movement %
Earnings per unit – Basic and diluted	39.0	36.2	2.8	7.7

Net tangible asset per unit

	30 June 2023 $	30 June 2022 $	Movement $	Movement %
Net tangible assets per unit	5.94	5.94	-	-

360 Capital FM Limited ABN 15 090 664 396 (AFSL 221474) as responsible entity of the 360 Capital Mortgage REIT ARSN 115 632 990.
Level 37, 1 Macquarie Place, Sydney NSW 2000. P.+61 2 8405 8860 W. 360capital.com.au E.investor.relations@360capital.com.au

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Distributions

Distribution period	Cents per unit	Total paid $'000	Record date	Date of payment
July 2022	3.00	124	29 July 2022	5 August 2022
August 2022	3.00	124	31 August 2022	7 September 2022
September 2022	3.00	124	30 September 2022	7 October 2022
October 2022	3.00	124	31 October 2022	7 November 2022
November 2022	3.00	124	30 November 2022	7 December 2022
December 2022	3.00	124	30 December 2022	6 January 2023
January 2023	3.50	144	31 January 2023	7 February 2023
February 2023	3.50	144	28 February 2023	7 March 2023
March 2023	3.50	144	31 March 2023	6 April 2023
April 2023	3.50	145	28 April 2023	5 May 2023
May 2023	3.50	145	31 May 2023	7 June 2023
June 2023	3.50	145	30 June 2023	7 July 2023
Total distribution for the year ended 30 June 2023	**39.00**	**1,611**		
July 2021	3.00	103	30 July 2021	6 August 2021
August 2021	3.00	104	31 August 2021	7 September 2021
September 2021	3.00	104	30 September 2021	7 October 2021
October 2021	3.00	104	29 October 221	5 November 2021
November 2021	3.00	104	30 November 2021	7 December 2021
December 2021	3.00	112	31 December 2021	7 January 2022
January 2022	3.00	123	31 January 2022	7 February 2022
February 2022	3.00	124	28 February 2022	7 March 2022
March 2022	3.00	124	31 March 2022	7 April 2022
April 2022	3.00	124	29 April 2022	6 May 2022
May 2022	3.00	124	31 May 2022	7 June 2022
June 2022	3.00	124	30 June 2022	7 July 2022
Total distribution for the year ended 30 June 2022	**36.00**	**1,374**		

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Distribution Reinvestment Plans

The Fund does not have a distribution reinvestment plan in place.

Control gained or lost over entities during the year

Refer to Note 12 Controlled entities of the Financial Report.

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360 CAPITAL MORTGAGE REIT

FORMERLY 360 CAPITAL ENHANCED INCOME FUND

(ASX:TCF)

ANNUAL REPORT

For the year ended 30 June 2023

General information

360 Capital Mortgage REIT (ARSN 115 632 990) (Fund) is an Australian Securities Exchange (ASX) listed managed investment fund, constituted and domiciled in Australia. Its registered office and principal place of business are:

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

A description of the nature of the Fund's operations and its principal activities are included in the Responsible Entity report, which is not part of the consolidated financial statements.

The financial report of the Fund comprises the consolidated financial statements of 360 Capital Mortgage REIT and its controlled entities.

The consolidated financial statements are presented in Australian dollars, which is 360 Capital Mortgage REIT's functional and presentation currency.

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

The consolidated financial statements were authorised for issue, in accordance with a resolution of the directors, on 7 August 2023.

Contents

The directors of 360 Capital FM Limited (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report, together with the consolidated financial statements of 360 Capital Mortgage REIT (ASX:TCF) ARSN 115 632 990 (Fund), formerly 360 Capital Enhanced Income Fund for the year ended 30 June 2023. 360 Capital Mortgage REIT comprises 360 Capital Mortgage REIT (parent entity) and its controlled entities.

Directors

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

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

360 Capital Mortgage REIT is an Australian Securities Exchange (ASX) listed mortgage real estate investment trust (REIT) which invests in a range of credit opportunities secured by Australian real estate assets.

360 Capital

Key financial highlights for the year ended 30 June 2023

Total revenue

$1.99m

(June 2022: $1.59m)

FY23 revenue increased by 25.1% as a result of higher interest rate received on real estate mortgage investments.

Operating profit

$1.6m

(June 2022: $1.4m)

Operating profit[1] increased by 16.8% year on year, driven by higher returns generated from real estate credit investing.

Distributions per security

39.0cps

(June 2022: 36.0 cps)

The Fund has increased distributions by 42% p.a. since taking over in September 2020. Year on year increase of 8.3% between FY23 and FY22.

Loan investments

$10.4m

(June 2022: $24.5m)

TCF settled a $10.4 million residual stock loan in south-western Sydney in late June 2023. The loan is secured against 30 strata titled apartments.

Cash

$14.4m

(June 2022: $0.2m)

Post period, TCF partnered with 360 Capital Private Credit Fund to deploy a further $10.7 million of its $14.4 million cash balance into a new master residual stock loan investment and is expected to be fully deployed shortly.

NTA per unit

$5.94

(June 2022: $5.94)

TCF focuses on capital preservation with NTA maintained across periods.

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 is currently equivalent to the profit for the year attributable to the unitholders of 360 Capital Mortgage REIT.

Review of operations

The Fund's profit attributable to unitholders for the year ended 30 June 2023 was $1.6 million (30 June 2022: $1.4 million) with earnings of 39.0 cents per unit (cpu) (30 June 2022: 36.2 cpu). The Fund's balance sheet as at 30 June 2023 had total assets of $24.8 million (30 June 2022: $24.7 million). The Fund's Net Tangible Asset (NTA) per unit was $5.94 (30 June 2022: $5.94).

In August 2022 the Responsible Entity announced the results of a strategic review of the Fund prompted by changes to the interest rate environment. The strategic review concluded that given the Fund's loan investments continued to perform and that it was likely that the existing loans would be repaid prior their expiry that the Fund would continue to operate as normal. In December 2022 the Fund's initial loan investment was repaid which provided the opportunity to reinvest the proceeds and provide investors with an enhanced return and increased distributions.

In December 2022 following the repayment of $24.4 million from the Fund's initial loan investment, a new 18-month loan facility of $24.4 million was provided to a property group based in Sydney's Northwestern suburbs to assist in funding the acquisition of a property and its related acquisition costs. The interest rate on the loan was 9.0% p.a. paid monthly in advance and the loan was secured by a registered first mortgage, first ranking general security deed, personal and corporate guarantee from the borrower. This loan facility was subsequently fully repaid on 24 May 2023.

In June 2023, the Fund settled a $10.4 million first mortgage residual stock loan. The loan is secured against 30 strata titled completed units situated in Western Sydney and is initially drawn to a 70.0% Loan to Value Ratio reducing to 65.0% through apartment sales. The loan is secured by a first ranking general security agreement over the borrower and personal guarantee from the sponsor. The loan is subject to a margin of 5.0% + BBSW, which reflects a current all-in interest rate of 9.35% and interest rate floor of 9.0%. The loan is serviced, with interest paid monthly in advance and is expected to be repaid through the proceeds from apartment sales over the 18-month term. In July 2023, the Fund received payment of $0.4 million through apartment sales as repayment of loan principal.

Post balance sheet date, on 20 July 2023, the Fund settled a $10.7 million residual stock loan secured against 12 brand new, completed freestanding houses, initially drawn to a 70.0% loan to value ratio (LVR) reducing to 65.0% through sales. The loan is subject to a margin of 6.5% + BBSW, which reflects a current all-in interest rate of 10.85% and interest rate floor of 10.0%. The loan is serviced, with interest paid monthly in advance and will be repaid through the proceeds from sales over the 12-month term.

Upon the Fund being fully invested, it will continue to diversify its loan portfolio through a partial selldown of it various loan interests to third parties, allowing it to continue to invest in further loans and increase diversification.

Capital management

As at 30 June 2023 the number of units on issue in the Fund was 4,131,427 (30 June 2022: 4,131,427). During the year, there were no redemptions (30 June 2022: nil) or issuance of units (2022: 676,406 units issued at $5.94 per unit) in the Fund.

Significant changes in the state of affairs

Given recent uncertainty around construction and development activities, the Fund is focused on financing completed built-form real estate across Australia, namely providing financing for residual residential stock and stretch senior facilities for completed commercial real estate assets

On 27 July 2023, the Fund announced a change of name from 360 Capital Enhanced Income Fund to 360 Capital Mortgage REIT retaining the existing ASX code TCF.

Likely developments and expected results of operations

Recent market conditions have seen reduced liquidity and rising interest rates which have made commercial and completed residual residential real estate debt an attractive investment proposition and as such, the Fund's current focus is investing in senior and stretch senior real estate loans.

The Fund intends to continue to generate a stable revenue stream from its loan portfolio and provide regular distributions. As opportunities arise the Fund will look to grow and diversify its loan portfolio.

Distributions

Distributions paid or payable during the year were as follows:

Distribution period	Date of payment	Cents per unit	Total paid $'000
July 2022	5 August 2022	3.00	124
August 2022	7 September 2022	3.00	124
September 2022	7 October 2022	3.00	124
October 2022	7 November 2022	3.00	124
November 2022	7 December 2022	3.00	124
December 2022	6 January 2023	3.00	124
January 2023	7 February 2023	3.50	144
February 2023	7 March 2023	3.50	144
March 2023	6 April 2023	3.50	144
April 2023	5 May 2023	3.50	145
May 2023	7 June 2023	3.50	145
June 2023	7 July 2023	3.50	145
Total distribution for the year ended 30 June 2023		**39.00**	**1,611**
July 2021	6 August 2021	3.00	103
August 2021	7 September 2021	3.00	104
September 2021	7 October 2021	3.00	104
October 2021	5 November 2021	3.00	104
November 2021	7 December 2021	3.00	104
December 2021	7 January 2022	3.00	112
January 2022	7 February 2022	3.00	123
February 2022	7 March 2022	3.00	124
March 2022	7 April 2022	3.00	124
April 2022	6 May 2022	3.00	124
May 2022	7 June 2022	3.00	124
June 2022	7 July 2022	3.00	124
Total distribution for the year ended 30 June 2022		36.00	1,374

Matters subsequent to the end of the financial year

No matter or circumstance, other than disclosed in this report, has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Environmental regulation

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

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

Fees paid to and interests held in the Fund by the responsible entity or its associates

Fees paid to the responsible entity and its associates out of Fund property during the year are disclosed in Note 16 to the consolidated financial statements. The number of interests held in the Fund by the responsible entity, its associates, or directors is detailed in Note 16 to the consolidated financial statements.

Number of units on issue

As at 30 June 2023 the number of units on issue in the Fund was 4,131,427 (30 June 2022: 4,131,427) and no units were issued during the year (30 June 2022: 676,406 units were issued at $5.94 per unit).

Unit buy-back

As detailed in the Fund constitution, the Responsible Entity may, but is not under obligation to, buy back, purchase or redeem units from unitholders. During the year, there were no redemption of units in the Fund (30 June 2022: nil).

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.

Disclosed in Note 14 'Remuneration of auditors' were the non-audit services provided by the Fund's auditors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding of amounts

The Fund 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

7 August 2023

Ernst & Young
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Auditor's Independence Declaration to the Directors of 360 Capital FM Limited as Responsible Entity for 360 Capital Mortgage REIT (formally 360 Capital Enhanced Income Fund)

As lead auditor for the audit of the financial report of 360 Capital Mortgage REIT (formally 360 Capital Enhanced Income Fund) 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 Mortgage REIT and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
7 August 2023

	Note	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Revenue			
Investment Income	3	1,986	1,587
Total revenue and other income from ordinary activities		1,986	1,587
Management fees	16	(211)	(134)
Administration expenses		(166)	(75)
Profit for the year attributable to the unitholders of 360 Capital Mortgage REIT		**1,609**	1,378
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the unitholders of 360 Capital Mortgage REIT		**1,609**	1,378
		cents	cents
Basic earnings per unit	15	39.0	36.2
Diluted earnings per unit	15	39.0	36.2

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

	Note	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		14,408	171
Trade and other receivables		9	6
Total current assets		**14,417**	177
Non-current assets			
Financial assets at fair value through other comprehensive income	4	10,400	24,500
Total non-current assets		**10,400**	24,500
Total assets		**24,817**	24,677
Liabilities			
Current liabilities			
Trade and other payables		145	24
Provision for distributions		145	124
Total current liabilities		**290**	148
Total liabilities		**290**	148
Net assets attributable to unitholders		**24,527**	24,529
Equity			
Issued capital	5	37,217	37,217
Accumulated losses		(12,690)	(12,688)
Total equity		**24,527**	24,529

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

360 Capital

	Note	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021		33,198	(12,692)	20,506
Profit for the year		-	1,378	1,378
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,378	1,378
Transactions with unitholders in their capacity as unitholders:				
Issue of units	5	4,019	-	4,019
Distributions paid	2	-	(1,374)	(1,374)
Balance at 30 June 2022		37,217	(12,688)	24,529

Consolidated	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	37,217	(12,688)	24,529
Profit for the year	-	1,609	1,609
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,609	1,609
Transactions with unitholders in their capacity as unitholders:			
Distributions paid 2	-	(1,611)	(1,611)
Balance at 30 June 2023	**37,217**	**(12,690)**	**24,527**

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

360 Capital

	Note	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Payments to suppliers		(342)	(198)
Interest received		2,069	1,587
Net cash from operating activities	6	**1,727**	1,389
Cash flows from investing activities			
Proceeds from repayment of loan investments		48,900	-
Payments for loan investments		(34,800)	(4,100)
Net cash from/(used in) investing activities		**14,100**	(4,100)
Cash flows from financing activities			
Proceeds from issue of units		-	4,019
Distributions paid	2	(1,590)	(1,354)
Net cash from/(used in) financing activities		**(1,590)**	2,665
Net increase/(decrease) in cash and cash equivalents		14,237	(46)
Cash and cash equivalents at the beginning of the financial year		171	217
Cash and cash equivalents at the end of the financial year		**14,408**	171

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

Contents

Note 1. Operating segments

The Chief Operating Decision Maker, being the Executive Chairman of the Responsible Entity, monitors the performance and results of the Fund at a total Fund level. As a result, the Fund has only one segment.

Note 2. Distributions

Distributions paid or payable during the year were as follows:

Distribution period	Date of payment	Cents per unit	Total paid $'000
July 2022	5 August 2022	3.00	124
August 2022	7 September 2022	3.00	124
September 2022	7 October 2022	3.00	124
October 2022	7 November 2022	3.00	124
November 2022	7 December 2022	3.00	124
December 2022	6 January 2023	3.00	124
January 2023	7 February 2023	3.50	144
February 2023	7 March 2023	3.50	144
March 2023	6 April 2023	3.50	144
April 2023	5 May 2023	3.50	145
May 2023	7 June 2023	3.50	145
June 2023	7 July 2023	3.50	145
Total distribution for the year ended 30 June 2023		**39.00**	**1,611**
July 2021	6 August 2021	3.00	103
August 2021	7 September 2021	3.00	104
September 2021	7 October 2021	3.00	104
October 2021	5 November 2021	3.00	104
November 2021	7 December 2021	3.00	104
December 2021	7 January 2022	3.00	112
January 2022	7 February 2022	3.00	123
February 2022	7 March 2022	3.00	124
March 2022	7 April 2022	3.00	124
April 2022	6 May 2022	3.00	124
May 2022	7 June 2022	3.00	124
June 2022	7 July 2022	3.00	124
Total distribution for the year ended 30 June 2022		36.00	1,374

Note 3. Investment income

Investment income includes:

	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Interest – Corporate loan investments	900	1,584
Interest – Real estate loan investments	980	-
Interest - Cash at bank	106	3
	1,986	1,587

Note 4. Financial assets at fair value through other comprehensive income

	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Non-current assets		
Non-current loans receivable	10,400	24,500

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

	30 June 2023 $'000	30 June 2022 $'000
Opening fair value	24,500	20,400
Additions	34,800	4,100
Repayment	(48,900)	-
Closing fair value	**10,400**	24,500

Refer to Note 10 for further information on fair value measurement.

In December 2022, the borrowers of the initial loan investment provided notice to the Fund of its intention to prepay the majority of the principal amount and subsequently repaid a total of $24.4 million on 17 December 2022. The balance of the loan amount of $100,000 was repaid on 17 March 2023.

In December 2022 following the repayment of $24.4 million from the Fund's initial loan investment, a new 18-month loan facility of $24.4 million was provided to a property group based in Sydney's Northwestern suburbs to assist in funding the acquisition of a property and its related acquisition costs. The interest rate on the loan was 9.0% p.a. paid monthly in advance and the loan was secured by a registered first mortgage, first ranking general security deed, personal and corporate guarantee from the borrower. This loan facility was subsequently fully repaid on 24 May 2023.

In June 2023, the Fund settled a $10.4 million first mortgage residual stock loan. The loan is secured against 30 strata titled completed units situated in Western Sydney and is initially drawn to a 70.0% Loan to Value Ratio reducing to 65.0% through apartment sales. The loan is secured by a registered first and only mortgage and by a first ranking general security agreement over the borrower and personal guarantee from the sponsor. The loan is subject to a margin of 5.0% + BBSW, which reflects a current all-in interest rate of 9.35% and interest rate floor of 9.0%. The loan is serviced, with interest paid monthly in advance and will be repaid through the proceeds from apartment sales over the 18-month term. In July 2023, the Fund received payment of $0.4 million through apartment sales as repayment of loan principal.

As the credit risk of the loan has not changed since inception, expected loss is measured over a 12 month period. An expected credit loss has not been recognised in relation to the loan given the loan collateral of real estate assets over which the Fund has a registered exclusive interest as a creditor. The Fund expects that it would be able to recover the full value of the loan in the event of default through liquidation of collateralised assets.

Note 5. Issued capital

Ordinary units
Ordinary units of the Fund are listed on the Australian Securities Exchange (ASX); there are no separate classes of units and each unit in the Fund has the same rights attaching to it as all other units of Fund. Each ordinary unit confers upon the unitholder an equal interest in the Fund and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders 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 unitholders 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 unitholders; 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.

Note 5. Issued capital (continued)

Issued units

	Consolidated 30 June 2023 Units	30 June 2022 Units	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Issued capital	**4,131,427**	4,131,427	**37,217**	37,217

Movements in the number and value of units of issued capital of the Fund were as follows

Details	Date	Units '000	Unit price	$'000
Balance	1 July 2021	3,455		33,198
Capital raised	9 December 2021	280	$5.94	1,663
Capital raised	4 January 2022	396	$5.94	2,356
Balance	30 June 2022	4,131		37,217
Balance	30 June 2023	**4,131**		**37,217**

Equity raising

During the year, the Fund did not issue any units (30 June 2022: issued 676,406 new units at $5.94 per unit raising $4.0 million). The units issued in prior financial year rank equally with previously existing units on issue. The proceeds were invested in accordance with the Fund's private credit investment strategy. Costs associated with the equity issue in the prior year were paid by 360 Capital Group on behalf of the Fund. The Responsible Entity has elected not to have the equity issue costs recharged to the Fund, therefore the Fund did not bear any costs in relation to the equity issue.

Unit buy-back

As detailed in the Fund constitution, the Responsible Entity may, but is not under obligation to, buy back, purchase or redeem units from unitholders. During the year, there were no redemption of units in the Fund (30 June 2022: nil units).

Note 6. Reconciliation of profit to net cash from operating activities

	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Profit for the year	1,609	1,378
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3)	20
Increase/(decrease) in trade and other payables	121	(9)
Net cash from operating activities	**1,727**	1,389

Note 7. Basis of preparation

Reporting Entity
360 Capital Mortgage REIT is an ASX-listed managed investment scheme, constituted and domiciled in Australia. On 27 July 2023, the Fund announced a change of name from 360 Capital Enhanced Income Fund to 360 Capital Mortgage REIT with no change to the ASX code.

Its registered office and principal place of business are:

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

Note 7. Basis of preparation (continued)

A description of the nature of the fund's operations and its principal activities are included in the Responsible Entity report, which is not part of the consolidated financial statements.

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 7 August 2023.

The principal accounting policies adopted in the preparation of the financial report are set out below and in Note 18 'Significant accounting policies'.

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

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

Basis of preparation
360 Capital Mortgage REIT and its subsidiaries are for-profit entities for the purpose of preparing the financial report.

The financial report has been prepared on accruals basis and on the historical cost basis except for certain financial assets, which are stated at their fair value. The accounting policies set out in Note 18 'Significant accounting policies' have been applied consistently to all periods presented in this financial report.

The financial report comprises the consolidated financial statements of 360 Capital Mortgage REIT (parent entity) and its controlled entities.

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

The consolidated financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

Basis of consolidation
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 year then ended.

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

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

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

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

Critical judgements and significant accounting estimates
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.

Following recent changes in the interest rate environment caused by amongst other things high inflationary pressures in the Australian economy, borrowing costs have increased significantly. An increasing interest rate environment requires enhanced consideration in relation to judgements and estimates relating to the valuation of the funds loan assets at reporting date and may impact the fair value of the Funds loan portfolio in future periods. Refer Note 9 'Other financial assets and liabilities' for further details regarding market risk.

Note 7. Basis of preparation (continued)

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 other comprehensive income
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.

Note 8. 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 unitholders through the optimisation of net debt and total equity balances. In accordance with the Fund's Product Disclosure Statement issued in October 2020, the Fund's use of borrowings will be predominantly for short term working capital and liquidity purposes, including the support of investment activity.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units, redeem units, purchase the Fund's own units, or sell assets. During the year, there were no redemptions of units (30 June 2022: nil), and no units were issued (30 June 2022: 676,406 units were issued at $5.94 per unit), see Note 5 'Issued capital' for further information.

Note 9. Other financial assets and liabilities

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

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

Credit risk
Credit risk is the risk of financial loss to the Fund if a 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.

	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Cash and cash equivalents	14,408	171
Trade and other receivables	9	6
Financial assets at fair value through other comprehensive income	10,400	24,500
	24,817	24,677

The Fund manages credit risk in a number of ways with an independent credit committee to opine on the credit risk the Fund holds. An example of how the Fund manages credit risk is detailed below:

Due diligence
Prior to completion of a transaction with a borrower, the Fund undertakes a detailed due diligence process to assess the credit risk of a counterparty. The due diligence process is conducted in line with the Fund's risk appetite statement and provides a research framework to the Funds investment committee reports. Due diligence is conducted on an internal basis and in many cases will involve the Fund engaging with third party independent experts to support the Fund credit risk analysis. External due diligence providers may, from time to time, provide reports across financial, tax and legal due diligence, environmental, operational or valuation reports dependent on the requirements of the underlying structure and each transaction. Prior to entering a transaction with a borrower, each transaction must receive approval from the Fund's independent credit committee and investment committee.

Note 9. Other financial assets and liabilities (continued)

Portfolio monitoring
It is customary for loan documentation in many real estate loans to contain financial and non-financial undertakings that often includes financial reporting and covenants. Loan exposures within the portfolio are monitored monthly with quarterly reports provided to the Investment Committee outlining an overview of each transaction and its ongoing compliance with covenants and other non-financial undertakings. The portfolio management team has primary responsibility for the reconciliation of interest and fees under each loan, engages with borrowers on a regular basis and prepares financial analysis and ongoing diligence on each transaction on a periodic basis.

Ratings
Transactions are rated by the Fund utilising third party risk analytics models that are customary in loan markets. These risk models utilise both quantitative and qualitative data, in conjunction with broader industry and industry data to determine an effective rating for each borrower. Borrower ratings are completed prior to the completion of a transaction and form an integral part of the due diligence process, particularly in determining price and valuation of an exposure. The Fund, through its portfolio management, conducts regular risk ratings on a periodic basis.

Independent Review
From time to time the Fund may engage with external consultants to review and undertake an independent assessment of a sample of the Fund's exposures to determine appropriateness of loan pricing and valuation.

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. A significant deterioration is assessed as a reduction in the credit rating determined for the counterparty.

Concentration risk
Concentration risk is risk arising from a portfolio's exposure to a single counterparty, economic industry or geographic location. As the Fund recently shifted its focus to provide financing for residual stock and settled a first mortgage residual stock loan, concentration risk exists and is expected to reduce over time as the Fund grows its assets. The current market and economic conditions which aren't conducive to raising capital and growing the fund, may delay the ability for the Fund to reduce concentration risk through growing its assets.

Price risk
Price risk is the risk that the fair value of investments will change as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or factors affecting all instruments in the market. The Fund reviews the carrying value of assets in the Fund on a regular basis using market prices of transactions in the market where there are similar characteristics, including tenure, credit profile and structure. Any change in fair value is reflected in the income of the Fund.

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 risk 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.

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 year $'000	Between 1-5 years $'000	Over 5 years $'000
Consolidated - 30 June 2023					
Trade and other payables	145	145	145	-	-
Distribution payable	145	145	145	-	-
	290	**290**	**290**	-	-
30 June 2022					
Trade and other payables	24	24	24	-	-
Distribution payable	124	124	124	-	-
	148	148	148	-	-

Note 9. Other financial assets and liabilities (continued)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and 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 Fund's return. The Fund's market risk is managed in accordance with the investment guidelines as outlined in the Fund's Product Disclosure Statement.

Interest rate risk
Interest rate risk is the risk that an investment's value will fluctuate as a result of changes in the market interest rate. The Fund invests in fixed and floating rate real estate loans that may, from time to time, be affected by changes to market interest rates. Subsequent to the repayment of the fixed rate investments in December 2022, the Fund currently has floating rate investments (2022: fixed rate investments only) with predictability in the income received from the underlying investment.

The table below summarises the overall impact of an increase/decrease of interest rates on the Fund's net profit and net assets from a change in interest rates of +100/-50 basis points. The sensitivity is based on management's best estimate of a reasonable possible movement in interest rates and includes the net impact of changes to the Fund's contractual cash flows and fair value adjustments of financial assets held at fair value through other comprehensive income.

	Consolidated Net profit 30 June 2023 $'000	Net profit 30 June 2022 $'000	Consolidated Net Assets 30 June 2023 $'000	Net Assets 30 June 2022 $'000
+1% (100 basis points)	248	2	248	(596)
-0.5% (50 basis points)	(109)	(1)	(109)	304

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

Note 10. Fair value measurement

Fair value hierarchy
The following tables detail the 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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income	-	-	10,400	10,400
Total assets	-	-	**10,400**	**10,400**

30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income	-	-	24,500	24,500
Total assets	-	-	24,500	24,500

There were no transfers between levels during the financial year.

Note 10. Fair value measurement (continued)

The Fund's Level 3 assets represented its private credit loan portfolio of $10.4 million (30 June 2022: $24.5 million). The value of this investment is held at fair value through other comprehensive income as the objective of the investment is achieved by both collecting the contractual cash flows and selling the financial asset as deemed necessary in order to manage the overall portfolio. By its nature as a private credit transaction, the investment has been classified as a Level 3 Asset as its valuation depends on inputs which are not directly or indirectly observable in active markets; the assessment of the investment's performance and valuation is performed at regular intervals as detailed in Note 9 'Other financial assets and liabilities'. Inputs used to determine fair value include amongst other factors comparable market interest rates, risk profile of the borrower and performance of the borrower. The Fund has determined that the fair value of the loans has not changed since the loans were originated.

Note 11. Capital commitments and contingencies

There are no capital commitments as at 30 June 2023 which have not been disclosed in the balance sheet (2022: nil)

Note 12. Controlled entities

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries controlled by the Fund:

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
360 Capital EIF No.1 Trust[1]	Australia	100%	-
PCF Sub Trust 2[2]	Australia	100%	-

1. On 12 December 2022, 360 Capital EIF No.1 Trust was established as a subsidiary of the Fund.
2. On 29 June 2023, PCF Sub Trust 2 was established as a subsidiary of the Fund.

Note 13. Events after the reporting period

On 19 July 2023, the Fund received payment of $0.4 million through apartment sales as repayment of loan principal associated with the $10.4 million loan settled in June 2023.

On 20 July 2023, the Fund has settled a $10.7 million residual stock loan secured against 12 brand new, completed freestanding houses, initially drawn to a 70.0% loan to value ratio (LVR) reducing to 65.0% through sales. The loan is subject to a margin of 6.5% + BBSW, which reflects a current all-in interest rate of 10.85% and interest rate floor of 10.0%. The loan is serviced, with interest paid monthly in advance and will be repaid through the proceeds from sales over the 12-month term.

On 27 July 2023, the Fund announced a change of name from 360 Capital Enhanced Income Fund to 360 Capital Mortgage REIT retaining the existing ASX code TCF.

No matter or circumstance, other than those disclosed in this report, has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Note 14. Remuneration of auditors

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

	Consolidated 30 June 2023 $	30 June 2022 $
Audit services - Ernst & Young		
Audit of the consolidated financial statements	35,800	33,313
Other services - Ernst & Young		
Taxation compliance services	10,200	5,600
Compliance audit services	6,658	6,400
	16,858	12,000
	52,658	45,313

Note 15. Earnings per unit

	Consolidated 30 June 2023 cents	30 June 2022 cents
Basic and diluted earnings per unit	39.0	36.2

	Consolidated 30 June 2023 $'000	30 June 2022 $'000
Profit attributable to unitholders of the Fund used in calculating earnings per unit	1,609	1,378

	Consolidated 30 June 2023 000's	30 June 2022 000's
Weighted average number of units - basic and diluted	4,131	3,803

Note 16. 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 registered office and the principal place of business of the Responsible Entity are:

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

Responsible Entity's fees and other transactions

Under the terms of the Constitution, the Responsible Entity is entitled to receive fees in accordance with the product disclosure statement. Management fees paid/payable during the year are as follows:

	Consolidated 30 June 2023 $	30 June 2022 $
Fees paid/payable by the Fund:		
Management fees	210,796	134,543

Note 16. Related party transactions (continued)

Management fee: The Responsible Entity is entitled to a Management Fee of 0.85% p.a. of the total assets of the Fund during the relevant year for its role in managing and administering the Fund. During the year, the Responsible Entity did not waive any Management Fees (2022: $60,151).

Recoverable expenses: The Responsible Entity is entitled to recover all expenses properly incurred in managing and administering the Fund. During the year, $12,168 (2022: $53,034) was recovered by the Responsible Entity. In the prior year, the Responsible Entity paid for equity raising costs on behalf of the Fund, at its discretion the Responsible Entity elected not to recover these expenses from the Fund.

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.

Unitholdings

The Responsible Entity or other funds managed by and related to the Responsible Entity held units in the Fund as follows:

	Consolidated 30 June 2023 %	Consolidated 30 June 2023 units	30 June 2022 %	30 June 2022 units
360 Capital Diversified Property Fund				
Units held	16.4%	676,974	16.4%	676,974

Distributions

Distributions paid/payable by the Fund to entities related to the Responsible Entity are as follows:

	Consolidated 30 June 2023 $	30 June 2022 $
360 Capital Diversified Property Fund		
Distributions paid/payable by the Fund	264,020	241,412

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with the related parties at that date:

	Consolidated 30 June 2023 $	30 June 2022 $
Current payables		
Trade and other payables	17,845	18,011
Distribution payable	23,694	20,309

Key management personnel
The Fund does not employ personnel in its own right. However, it has an appointed responsible entity to manage the activities of the Fund. The Directors and key management personnel of the responsible entity are detailed below.

Payments made by the Fund to the responsible entity do not specifically include any amounts attributable to the compensation of directors or key management personnel of the responsible entity.

The following persons were directors of the Responsible Entity up to the date of this report:

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

Note 16. Related party transactions (continued)

The Fund did not grant any units, options, or loans to directors or key management personnel through the year (2022: nil).

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

Name	Position	30 June 2022 Units held	Acquisitions	Disposals	Consolidated 30 June 2023 Units held
Tony Robert Pitt	Director	-	10,000	-	10,000
David van Aanholt	Director	20,000	-	-	20,000

Indemnity and insurance of officers
During the financial year, the Responsible Entity has paid insurance premiums to insure each of its 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 willful 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.

Note 17. Parent entity disclosures

The following details information relating to the parent entity 360 Capital Mortgage REIT. The information presented below has been prepared using the consistent accounting policies as presented in Note 18.

	30 June 2023 $'000
Current assets	14,330
Non-current assets	10,405
Total assets	**24,735**
Current liabilities	209
Total liabilities	**209**
Issued capital	37,217
Accumulated losses	(12,691)
Total equity	**24,526**
Net profit for the year	1,609
Total comprehensive profit for the year attributable to securityholders	**1,609**

Note 18. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The Fund 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 Fund include:

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

The other amendments have been deemed not to have a material impact on the consolidated financial statements of the Fund.

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

Note 18. Significant accounting policies (continued)

Income recognition
The Fund recognises income as follows:

Interest
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.

Income tax
Under current legislation, the Fund is not subject to income tax provided it distributes the entirety of its taxable income, including realised capital gains, to its unitholders.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Fund's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Fund's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Fund 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.

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

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

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

Financial assets at fair value through other comprehensive income
The Fund classifies its investment loan portfolio based on its business model for managing financial assets and its objectives in investments. The Fund invests in real estate loans with medium and long dated maturities that give rise to repayments of principal and interest on specific dates, however in order to actively manage a diversified portfolio, the Fund may from time to time, sell part or all of its loan investments to recycle capital from loan investments that may be more suitable to the Fund's strategy, objectives or return profile. Consequently, the Responsible Entity has determined that the business model of the Fund is to collect and sell its contractual cash flows and therefore loan assets meet the criteria of financial assets being classified mandatorily at fair value through other comprehensive income.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Note 18. Significant accounting policies (continued)

Impairment of financial assets
The Fund recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Fund's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The expected credit loss for debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit and loss upon derecognition of the assets.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Fund 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.

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.

Applications and redemptions
Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Goods and Services Tax ('GST') and other similar taxes
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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 18. Significant accounting policies (continued)

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* and AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (application date 1 January 2023)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (application 1 January 2023) 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)
- 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

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

(1) The attached consolidated financial statements and notes that are set out on pages 10 to 28 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Fund'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, the *Corporations regulations 2001* and other mandatory professional reporting requirements; and
(iii) the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 7 'Basis of preparation' to the consolidated financial statements.

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

(3) The Directors have 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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Tony Robert Pitt
Executive Chairman

David van Aanholt
Deputy Chairman

7 August 2023

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Independent auditor's report to the unitholders of 360 Capital Mortgage REIT (formerly 360 Capital Enhanced Income Fund)

Report on the audit of the financial report

Opinion

We have audited the financial report of 360 Capital Mortgage REIT (formally 360 Capital Enhanced Income Fund) (the Fund), and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated 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.

Recoverability of Loans Receivable

<table>
<tr><th>Why significant</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
At 30 June 2023 the Fund's statement of financial position includes a loan receivable with a carrying value of $10.4m, representing 42% of total assets. The loan is recognised as held at fair value through other comprehensive income which requires the fair value to be assessed at each reporting date, together with an assessment of expected credit loss.
The assessment of the fair value of the loan receivable and the associated expected credit loss involves judgments and estimates, based upon conditions that existed at 30 June 2023, such as forecast cashflows, market interest rates, the credit rating of the borrower, and valuation of the collateral for which the loan is secured against.
We have considered this a key audit matter due to the number of judgements required in determining the fair value and expected credit loss. We draw attention to Notes 4, 9 and 10 of the financial report which disclose the accounting policy for the loan receivable and sensitivities to changes in the key assumptions that may impact the valuation.
</td><td>
Our audit procedures included the following:

Evaluated the process that management and the directors have undertaken to assess the fair value and expected credit loss.
For the fair value we:

Assessed the application of the model used in terms of the requirements of AASB 9 Financial Instruments;
Evaluated the reasonableness of the key assumptions used, which included forecast cashflows, market interest rates, and credit rating; and
Tested the mathematical accuracy of the model prepared by management.

For the expected credit loss we:

Assessed the application of the model used in terms of AASB 9 Financial Instruments;
Evaluated the reasonableness of the key assumptions used for calculating the expected credit loss. These included the credit rating of the borrower, outstanding loan balance, and the value of the collateral for which the loan is secured against;
Evaluated the independent valuation prepared to support the value of the loan collateral. This included assessing the competence and objectivity of the valuer and the methodology used; and
Tested the mathematical accuracy of the model prepared by management.

Assessed the adequacy and appropriateness of the disclosures included in Notes 4, 9 and 10 to the financial report.

</td></tr>
</table>

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- 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.

Building a better working world

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

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

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

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

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

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

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

Ernst & Young

Ernst & Young

Douglas

Douglas Bain
Partner
Sydney
7 August 2023

360 Capital Mortgage REIT
Unitholder information for the year ended 30 June 2023

The information below was prepared as at 31 July 2023.

a) Top 20 registered unitholders

Unitholder Name	Units held	% of issued units
360 CAPITAL FM LIMITED <360 CAP DIV PROP FUND A/C>	676,974	16.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	151,274	3.66
CITICORP NOMINEES PTY LIMITED	124,295	3.01
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	111,002	2.69
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	65,440	1.58
ABBAWOOD NOMINEES PTY LTD <ABBOTT FAMILY S/F NO 1 A/C>	65,000	1.57
CELLAR STOCKS PTY LTD <CELLAR INVESTMENT A/C>	43,365	1.05
CAPRICORN INVESTMENT PARTNERS (NOMINEES) PTY LTD <POSTNECK S/F A/C>	42,878	1.04
VENUSAPPHIRE HOLDINGS PTY LTD <HOGODT INVESTMENT A/C>	40,345	0.98
CAPRICORN INVESTMENT PARTNERS NOMINEES PTY LTD <KAREN BOYLAND SF AC>	34,511	0.84
CAPRICORN INVESTMENT PARTNERS (NOMINEES) PTY LTD <MJ & PM CRANNY S/F A/C>	33,420	0.81
BURROWS MANAGEMENT PTY LIMITED <BURROWS MANAGEMENT A/C>	33,000	0.80
CAPRICORN INVESTMENT PARTNERS (NOMINEES) PTY LTD <LESLEY F HARRINGTON A/C>	32,996	0.80
ABBAWOOD NOMINEES PTY LIMITED <ABBOTT FAMILY ACCOUNT>	31,265	0.76
KALUKI PTY LTD <THE PINCZEWSKI SUPER A/C>	30,836	0.75
BT PORTFOLIO SERVICES LIMITED <H & G EULENSTEIN S/F A/C>	30,806	0.75
BT PORTFOLIO SERVICES LIMITED <THE WJ & PA INGRAM S/F A/C>	30,000	0.73
CAPRICORN INVESTMENT PARTNERS (NOMINEES) PTY LTD <PAUL & LYNETTE RACKEMANN S/F A/C>	29,461	0.71
BT PORTFOLIO SERVICES LIMITED <BLENHEIM INVESTMENT A/C>	26,000	0.63
SAFETYFIRST PTY LTD <MALONEY FAMILY S/F A/C>	25,000	0.61
Total units held by top 20 unitholders	**1,657,868**	**40.13**
Total units on issue	**4,131,427**	**100.00**

b) Distribution of unitholders by holding size

Number of units held by unitholders	Number of holders	Units held	% of issued units
1 to 1,000	141	64,047	1.55
1,001 to 5,000	273	791,513	19.16
5,001 to 10,000	97	682,546	16.52
10,001 to 100,000	74	1,529,776	37.03
100,001 and over	4	1,063,545	25.74
Totals	**589**	**4,131,427**	**100.00**

The total number of unitholders with less than a marketable parcel was 36 and they hold 870 units.

c) Substantial unitholder notices

Unitholder Name	Date of notice	Units held	% of issued units
360 CAPITAL FM LIMITED <360 CAP DIV PROP FUND A/C>	27/6/2022	676,974	16.39%

d) Voting rights:

Subject to the Constitution of 360 Capital Mortgage REIT and to any rights or restrictions for the time being attached to any units:

- on a show of hands, each unitholder present in person or by proxy, attorney, or representative has one vote; and
- on a poll, each unitholder has one vote for each unit in 360 Capital Mortgage REIT held.

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 Australia
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