360 Capital

# 360 CAPITAL INVESTMENT TRUST

## Financial Report
## For the year ended 30 June 2020

Comprising 360 Capital Investment Trust ARSN 104 552 598 and its controlled entities.

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The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity of 360 Capital Investment Trust (Trust) present their report, together with the financial report of 360 Capital Investment Trust and its controlled entities (consolidated entity) for the year ended 30 June 2020.

The consolidated entity forms part of the stapled entity, 360 Capital Group (Stapled Group or Group) (ASX: TGP) comprising 360 Capital Group Limited (Company) and its controlled entities and 360 Capital Investment Trust and its controlled entities.

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

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

**Principal activities**

The Group is a diversified investment and funds management business whose purpose is to be a leading Australian investor and fund manager of alternative assets, who partners with stakeholders to identify, invest and realise on opportunities. The Group's four investment strategies which make up its alternative assets management and investment strategy are:

- Real Assets
- Private Equity
- Public Equity
- Credit

**Operating and financial review**

The key financial highlights for the year ended 30 June 2020 include:

- Statutory net profit attributable to unitholders of $4.3 million (2019: $3.7 million)
- Operating profit[1] of $6.4 million (2019: $6.2 million)
- Statutory Earnings per Unit (EPU) of 2.0 cpu (2019: 1.7 cpu)
- Distributions per Unit (DPU) of 4.0 cpu (2019: 2.0 cpu)

The key operating achievements for the year ended 30 June 2020 include:

- Investment in the 360 Capital Digital Infrastructure Fund for $42.3 million.
- Invested $3.4 million into 360 Capital Active Value Equity Fund
- The Trust loaned $19.8 million to childcare operator which was repaid subsequent to balance date

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 Trust and it is used as a guide to assess the Trust's ability to pay distributions to unitholders. The operating profit information in the table has not been subject to any specific audit procedures by the Trust's auditor but has been extracted from Note 1: Segment reporting.

**Operating and financial review (continued)**

**Summary and Outlook**

The Group is an investor and fund manager of alternative assets who partners with its stakeholders to identify, invest and realise on opportunities. The Group intends to continue to execute on its strategy across its four segments representing real assets, private and public equity and credit.

**Distributions**

Distributions declared by 360 Capital Investment Trust directly to unitholders during the year were as follows:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| 1.0 cents per stapled security paid on 29 October 2018 | - | 2,299 |
| 1.0 cents per stapled security paid on 24 January 2019 | - | 2,309 |
| 1.0 cents per stapled security paid on 24 October 2019 | 2,309 | - |
| 1.0 cents per stapled security paid on 23 January 2020 | 2,309 | - |
| 1.0 cents per stapled security paid on 23 April 2020 | 2,309 | - |
| 1.0 cents per stapled security paid on 28 July 2020 | 2,309 | - |
| **Total** | **9,236** | 4,608 |

**Significant changes in state of affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year under review other than those listed above or elsewhere in the Directors' report.

**Likely developments and expected results of operations**

The Group will continue to focus on implementing its expanded strategy of managing and investing in alternative assets. The Group will build out is capabilities across the four segments and is well placed to take advantage of opportunities that arise in the market.

**Events subsequent to balance date**

On 22 July 2020 the Trust's loan receivable of $19.8 million to a childcare operator was repaid and the Group does not currently have any loans to third parties outstanding.

In August 2020, the Group acquired a 19 .9% stake in Australian Enhanced Income Fund (ASX: AYF) and has proposed a change in responsible entity to 360 Capital FM Limited.

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

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

**Environmental Issues**

The consolidated entity complied with all applicable environmental regulations during the course of the financial year.

**Buy back arrangement**

The consolidated entity is not under any obligation to buy back, purchase or redeem units from stapled securityholders. During the year, the consolidated entity did not buy back or cancel any units (2019: Nil).

**Distribution Reinvestment Plan**

The Group has a Distribution Reinvestment Plan (DRP) which was not active during the year ended 30 June 2020.

**Options**

During the year options were issued under the Employee Incentive Plan (EIP), no other options over issued shares or interests in the Group were granted during or since the end of the financial year, and there were no other options outstanding at the date of this report.

**Indemnification and insurance of Officers and Directors**

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 consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Officers of the Responsible Entity, other than conduct involving a wilful breach of duty in relation to the Responsible Entity.

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an Officer of the Responsible Entity.

**Indemnification of auditors**

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

**Non-audit services**

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

**Auditor's independence declaration**

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2020.

**Rounding of amounts**

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

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

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

Sydney
31 August 2020

Ernst & Young
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# Auditor's Independence Declaration to the Directors of 360 Capital FM Limited as Responsible Entity for 360 Capital Investment Trust

As lead auditor for the audit of the financial report of 360 Capital Investment Trust for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
31 August 2020

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

| | Note | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Rental from investment properties | 3 | 306 | 3,969 |
| Distributions from property funds | 3 | 124 | 2,205 |
| Finance revenue | | 2,596 | 2,052 |
| **Total revenue from continuing operations** | | **3,026** | 8,226 |
| **Other income** | | | |
| Share of equity accounted profits | 9 | 2,557 | 1,845 |
| Net gain on deconsolidation of controlled entity | | 122 | - |
| Foreign exchange gains | | 97 | - |
| **Total other income** | | **2,776** | 1,845 |
| **Total revenue and other income from continuing operations** | | **5,802** | 10,071 |
| | | | |
| Administration expenses | | 1,024 | 969 |
| Finance expenses | 5 | 61 | 1,026 |
| Transaction costs | 4 | 15 | 595 |
| Provision for loss | | 10 | - |
| Net loss on fair value of financial assets | | 89 | 2,044 |
| Net loss on disposal of financial assets | | 139 | - |
| Net loss on fair value of investment properties | | - | 762 |
| **Profit for the year** | | **4,464** | 4,675 |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive income for the year** | | **4,464** | 4,675 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Profit attributable to unitholders | | 4,302 | 3,654 |
| Profit attributable to external non-controlling interests | | 162 | 1,021 |
| **Total comprehensive income for the year** | | **4,464** | 4,675 |
| | | | |
| **Earnings per unit for profit attributable to unitholders of the consolidated entity** | | **Cents** | **Cents** |
| **Basic earnings per unit** | 23 | **2.0** | 1.7 |
| **Diluted earnings per unit** | 23 | **1.9** | 1.6 |

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

## 360 Capital Investment Trust
## Consolidated statement of financial position
## As at 30 June 2020

| | Note | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 13 | 69,479 | 164,780 |
| Receivables | 6 | 1,958 | 745 |
| Loans receivable | 6 | 19,790 | - |
| Financial assets at fair value through profit or loss | 7 | 1,611 | 2,183 |
| Due from related entities | 24 | 15,638 | - |
| **Total current assets** | | **108,476** | 167,708 |
| | | | |
| **Non-current assets** | | | |
| Financial assets at fair value through profit or loss | 7 | 2,226 | - |
| Investments equity accounted | 9 | 66,536 | 17,989 |
| **Total non-current assets** | | **68,762** | 17,989 |
| **Total assets** | | **177,238** | 185,697 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 116 | 88 |
| Distribution payable | 11 | 2,309 | - |
| Due to related entities | 24 | - | 5,322 |
| **Total current liabilities** | | **2,425** | 5,410 |
| **Total liabilities** | | **2,425** | 5,410 |
| **Net assets** | | **174,813** | 180,287 |
| | | | |
| **Equity** | | | |
| Issued capital - trust units | 12 | 194,877 | 194,880 |
| Retained earnings/Accumulated losses | | (20,263) | (14,593) |
| **Total equity attributable to unitholders** | | **174,614** | 180,287 |
| External non-controlling interest | | 199 | - |
| **Total equity** | | **174,813** | 180,287 |

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

**360 Capital Investment Trust**
**Consolidated statement of changes in equity**
**For the year ended 30 June 2020**

| | Note | Issued capital $'000 | Accumulated losses $'000 | Total equity attributable to unitholders $'000 | External non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | | 194,880 | (14,593) | 180,287 | - | 180,287 |
| Total comprehensive income for the year | | - | 4,302 | 4,302 | 162 | 4,464 |
| Transactions with non-controlling interest | | - | (737) | (737) | 37 | (700) |
| **Transactions with Unitholders in their capacity as Unitholders** | | | | | | |
| Equity raising transaction costs | | (3) | - | (3) | - | (3) |
| Distributions | 2 | - | (9,235) | (9,235) | - | (9,235) |
| | | (3) | (9,235) | (9,237) | - | (9,237) |
| **Balance at 30 June 2020** | | **194,877** | **(20,263)** | **174,614** | **199** | **174,813** |
| **Balance at 1 July 2018** | | 189,863 | (13,640) | 176,223 | 75,648 | 251,871 |
| Total comprehensive income for the year | | - | 3,654 | 3,654 | 1,021 | 4,675 |
| Transactions with non-controlling interest | | - | - | - | (75,165) | (75,165) |
| **Transactions with Unitholders in their capacity as Unitholders** | | | | | | |
| Issued units - DRP | | 1,950 | - | 1,950 | - | 1,950 |
| Issued units - ESP | | 3,080 | - | 3,080 | - | 3,080 |
| Security based payment transaction | | - | - | - | - | - |
| Equity raising transaction costs | | (13) | - | (13) | - | (13) |
| Distributions | 2 | - | (4,608) | (4,608) | (1,504) | (6,112) |
| | | 5,017 | (4,608) | 409 | (1,504) | (1,095) |
| **Balance at 30 June 2019** | | **194,880** | **(14,593)** | **180,287** | **-** | **180,287** |

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

**360 Capital Investment Trust**
**Consolidated statement of cash flows**
**For the year ended 30 June 2020**

| | Note | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 96 | 3,077 |
| Cash payments to suppliers | | (1,102) | (3,079) |
| Distributions received | | 3,341 | 4,622 |
| Finance revenue | | 2,488 | 1,937 |
| Finance expenses | | (63) | (1,026) |
| **Net cash inflows from operating activities** | 13 | **4,760** | 5,531 |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for additions to investment properties | | (39,024) | - |
| Payments for equity accounted investments | | (11,608) | (1,602) |
| Payments for financial assets | | (27,307) | - |
| Proceeds from disposal of financial assets | | 8,260 | 39,834 |
| Proceeds from disposal of subsidiaries | | - | 155,547 |
| Payments for loans receivable | | (19,800) | - |
| Payment of transaction costs | | (15) | (595) |
| **Net cash (outflows)/inflows from investing activities** | | **(89,494)** | 193,184 |
| | | | |
| **Cash flows from financing activities** | | | |
| Loans to related parties | | (20,960) | (28,004) |
| Repayment from related parties | | 7,500 | - |
| Proceeds from issue of capital to NCI | | 10,862 | - |
| Payment of transaction costs to issue capital | | (1,043) | (13) |
| Distributions paid to unitholders | | (6,926) | (7,228) |
| Distributions paid to external non-controlling interests | | - | (940) |
| **Net cash outflows from financing activities** | | **(10,567)** | (36,185) |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | (95,301) | 162,530 |
| Cash balance on deconsolidation of controlled entities | | - | (2,571) |
| Cash and cash equivalents at the beginning of the year | | 164,780 | 4,821 |
| **Cash and cash equivalents at the end of the year** | 13 | **69,479** | 164,780 |

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

**Financial Information**

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

**Note 1: Segment reporting**

Segment information is presented in respect of the consolidated entity'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 segment is based on the consolidated entity's management and internal reporting structure and is:

- Investment - equity and debt investment in real estate including co-investment in managed funds, providing income through distributions and finance revenue and potential capital growth in equity values

The consolidated entity's management strategy and measures of performance focus on the returns from this core segment in order to deliver returns and value to investors.

Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker of the consolidated entity.

The information provided is net of non-operating items comprising transaction costs, unrealised fair value adjustments of financial assets and other assets, unrealized foreign exchange gains and losses, impairment adjustments, share of equity accounted profits in excess of distributions received, security based payments expense and all other non-operating activities.

<u>Consolidation and eliminations</u>
Included in this segment are the elimination of inter-group transactions and conversion of the consolidated results from the managed fund deemed to be controlled under AASB 10, being material non-controlling interests (refer to Note 17 and Note 19). The performance of this managed fund, is considered to be non-core and is reviewed separately to that of the performance of the business segments.

<u>Geographical segments</u>
In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the underlying assets. All segments operate solely within Australia.

**Note 1: Segment reporting (continued)**

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2020 are as follows:

| Year ended 30 June 2020 | Investment $'000 | Total core $'000 | Consolidation & eliminations $'000 | Total $'000 |
|---|---|---|---|---|
| Net property income | - | - | 306 | 306 |
| Investment revenue | 4,872 | 4,872 | (280) | 4,592 |
| Finance revenue | 2,454 | 2,454 | 142 | 2,596 |
| **Total revenue and other income** | **7,326** | **7,326** | **168** | **7,494** |
| Operating expenses | 897 | 897 | 127 | 1,024 |
| **Earnings before interest and tax (EBIT)** | **6,429** | **6,429** | **41** | **6,470** |
| Interest expense | - | - | 61 | 61 |
| **Operating profit (before non-operating items)** | **6,429** | **6,429** | **(20)** | **6,409** |

| | | | | |
|---|---|---|---|---|
| Weighted average number of units - basic ('000) | | 218,373 | | |
| **Operating profit per unit (before non-operating items) (EPU) - cents** | | **2.9** | | |

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 14.

The operating segments provided to the Board for the reportable segments for the year ended 30 June 2019 are as follows:

| Year ended 30 June 2019 | Investment $'000 | Total core $'000 | Consolidation & eliminations $'000 | Total $'000 |
|---|---|---|---|---|
| Net property income | - | - | 3,969 | 3,969 |
| Investment revenue | 5,826 | 5,826 | (1,548) | 4,278 |
| Finance revenue | 2,052 | 2,052 | - | 2,052 |
| **Total revenue and other income** | 7,878 | 7,878 | 2,421 | 10,299 |
| Operating expenses | 968 | 968 | - | 968 |
| **Earnings before interest and tax (EBIT)** | 6,910 | 6,910 | 2,421 | 9,331 |
| Interest expense | 675 | 675 | 352 | 1,027 |
| **Operating profit (before non-operating items)** | 6,235 | 6,235 | 2,069 | 8,304 |

| | | | | |
|---|---|---|---|---|
| Weighted average number of units - basic ('000) | | 212,934 | | |
| **Operating profit per unit (before non-operating items) (EPU) - cents** | | **2.9** | | |

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is on page 13.

**Note 1: Segment reporting (continued)**

Reconciliation of total segment revenue to total revenue in the statement of profit or loss is as follows:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Total revenue per segment report** | **7,494** | 10,299 |
| Distributions from equity accounted investments | (4,468) | (2,073) |
| **Total revenue in the statement of profit or loss** | **3,026** | 8,226 |
| Net gain on deconsolidation of controlled entity | 122 | - |
| Share of equity accounted profits, net of distributions received | 2,557 | 1,846 |
| **Total revenue and other income in the statement of profit or loss** | **5,705** | 10,072 |

Reconciliation of statutory profit to operating profit for the year is as follows:

| | Total core 30 June 2020 $'000 | Total core 30 June 2019 $'000 | Total 30 June 2020 $'000 | Total 30 June 2019 $'000 |
|---|---|---|---|---|
| **Profit after tax attributable to unitholders** | **4,302** | 3,654 | | |
| **Profit for the year** | | | **4,464** | 4,675 |
| **Non-cash items** | | | | |
| Net loss/(gain) on fair value of financial assets | 272 | 2,044 | 89 | 2,044 |
| Net loss on disposal of financial assets | - | 162 | 139 | - |
| Share of equity accounted profits, net of distributions received | 1,956 | 228 | 1,956 | 228 |
| Foreign exchange gains | (135) | - | - | - |
| Loss allowance | 10 | - | 10 | - |
| Other items | 24 | - | (142) | - |
| Net (gain)/loss on disposal of controlled entity | - | - | (122) | 762 |
| Transaction costs | - | 147 | 15 | 595 |
| **Operating profit (before non-operating items)** | **6,429** | 6,235 | **6,409** | 8,304 |

**Note 1: Segment reporting (continued)**

| As at 30 June 2020 | Investment $'000 | Total core $'000 | Consolidation & eliminations $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 69,439 | 69,439 | 40 | 69,479 |
| Loans receivable | 19,790 | 19,790 | - | 19,790 |
| Financial and equity accounted assets | 71,059 | 71,059 | (686) | 70,373 |
| Other assets | 16,930 | 16,930 | 666 | 17,596 |
| **Total assets** | **177,218** | **177,218** | 20 | **177,238** |
| **Liabilities** | | | | |
| Other liabilities | 2,604 | 2,604 | (179) | 2,425 |
| **Total liabilities** | **2,604** | **2,604** | (179) | **2,425** |
| **Net assets** | **174,614** | **174,614** | **199** | **174,813** |

| As at 30 June 2019 | Investment $'000 | Total core $'000 | Consolidation & eliminations $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 164,780 | 164,780 | - | 164,780 |
| Financial and equity accounted assets | 20,172 | 20,172 | - | 20,172 |
| Other assets | 745 | 745 | - | 745 |
| **Total assets** | **185,697** | **185,697** | - | **185,697** |
| **Liabilities** | | | | |
| Other liabilities | 5,410 | 5,410 | - | 5,410 |
| **Total liabilities** | **5,410** | **5,410** | - | **5,410** |
| **Net assets** | **180,287** | **180,287** | **-** | **180,287** |

**Note 2: Distributions**

Distributions declared by 360 Capital Investment Trust directly to unitholders during the year were as follows:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| 1.0 cents per stapled security paid on 29 October 2018 | - | 2,299 |
| 1.0 cents per stapled security paid on 24 January 2019 | - | 2,309 |
| 1.0 cents per stapled security paid on 24 October 2019 | 2,309 | - |
| 1.0 cents per stapled security paid on 23 January 2020 | 2,309 | - |
| 1.0 cents per stapled security paid on 23 April 2020 | 2,309 | - |
| 1.0 cents per stapled security paid on 28 July 2020 | 2,309 | - |
| **Total** | **9,236** | **4,608** |

**Note 3: Revenue**

Rental from investment properties include:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| S1, Macquarie Park, Sydney, NSW | - | 1,675 |
| M1, Port Melbourne, Melbourne, VIC | - | 1,426 |
| P1, Malaga, Perth, WA | - | 868 |
| Malaga Data Centre, Perth, WA | 306 | - |
| | **306** | 3,969 |

During the year the Trust consolidated 360 Capital Digital Infrastructure Fund (ASX: TDI) into its results upon the launch of the Fund on 2 July 2019 and proceeded to sell down its holding to 37.4% on 31 October 2019 when TDI was deconsolidated due to a loss of control. Refer to Note 17 for further details. In the prior period, the results of Asia Pacific Data Centre Group (AJD) AJD were deconsolidated from the financial results of the Group from 12 October 2018, including the investment properties located at Macquarie Park, Sydney, Port Melbourne, Melbourne and Malaga, Perth.

Distributions from property funds include:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Centuria 111 St Georges Terrace Fund | - | 1,093 |
| Centuria Retail Fund | 124 | 1,112 |
| | **124** | 2,205 |

**Note 4: Transaction costs**

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Business combination transaction costs | 15 | - |
| Legal fees – AJD court case | - | 595 |
| | **15** | 595 |

### Note 5: Finance expenses

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Interest and finance charges paid and payable | - | 1,026 |
| Borrowing cost amortisation | 61 | - |
| | **61** | 1,026 |

### Note 6: Receivables

Receivables include:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Current** | | |
| Trade & GST receivables | 55 | 174 |
| Interest income receivable | 81 | - |
| Distributions receivable | 1,822 | 571 |
| | **1,958** | 745 |

Loans receivable include:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Current** | | |
| Secured loans – amortised cost | 19,800 | - |
| Loss allowance | (10) | - |
| | **19,790** | - |

**a) Expected credit loss**
During the year, the consolidated entity made a $10,098 (2019: Nil) expected credit loss (ECL) provision for loans receivable in respect of impairment under AASB 9 for the consolidated entity's loans receivable.

**b) Fair values**
The receivables are carried at amounts that approximate their fair value.

**c) Credit risk**
There is a limited amount of credit risk – refer to Note 16 for more information on the risk management policy of the consolidated entity. As at 30 June 2020, trade receivables of Nil (2019: Nil) were past due but not impaired.

## Note 7: Financial assets at fair value through profit or loss

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Current** | | |
| Shares in listed company | 1,611 | - |
| Unlisted funds managed externally | - | 2,183 |
| **Total Current** | **1,611** | **2,183** |
| **Non-current** | | |
| Shares in unlisted company | 2,226 | - |
| **Total Non-current** | **2,226** | **-** |
| **Total** | **3,837** | **2,183** |

During the year, the Trust acquired a 94.8% interest in 360 Capital Active Value Equity Fund (Equity Fund). The assets of the Equity Fund are consolidated into the results of the Trust at 30 June 2020.

In January 2020, Centuria Retail Fund paid a special distribution of $0.19 per unit to the unitholders. A further $0.007 (0.7 cents) was distributed in June 2020 upon wind up of the Fund.

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

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Balance at 1 July | 2,183 | 44,060 |
| Financial assets acquired | 28,657 | - |
| Financial assets disposed - listed | (7,013) | - |
| Financial assets disposed - unlisted | (1,386) | (39,833) |
| Derecognition of financial assets on deconsolidation | (18,376) | - |
| Realised loss on disposal of financial assets | (18) | - |
| Fair value adjustment of financial assets | (139) | (2,044) |
| Closing balance | **3,837** | 2,183 |

## Note 8: Investment properties

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

| | Note | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| Opening Balance 1 July | | **-** | **261,000** |
| Investment properties acquired through consolidation | | 39,024 | - |
| Investment properties disposed through deconsolidation | | (39,024) | (261,000) |
| **Total** | | **-** | - |

During the year the Trust consolidated 360 Capital Digital Infrastructure Fund (ASX: TDI) upon the launch of the Fund on 2 July 2019 and proceeded to sell down its holding to 37.4% on 31 October 2019 when TDI was deconsolidated due to a loss of control. Refer to Note 17 for further details.

**Note 9: Investments equity accounted**

| | 30 June 2020 % | 30 June 2019 % | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|---|
| **Co-investment interest** | | | | |
| 360 Capital Passive REIT | 20.0 | 26.3 | 25,531 | 17,989 |
| 360 Capital Digital Infrastructure Fund | 37.9 | - | 41,005 | - |
| | | | **66,536** | 17,989 |

Co-investment interest
The Trust holds a 20.0% interest in the stapled entity 360 Capital REIT (ASX: TOT), with the beneficial interest of 360 Capital Passive REIT units held by 360 Capital Diversified Property Fund and the beneficial interest of 360 Capital Active REIT units held by 360 Capital Property Limited.

360 Capital Digital Infrastructure Fund
The Trust holds a 37.9% interest in the 360 Capital Digital Infrastructure Fund (ASX: TDI) at the reporting date. Significant influence was first established on 31 October 2019 when TDI was deconsolidated due to a loss of control. TDI was consolidated into the results of the Trust from 2 July 2019 to this date. Refer to Note 17 for further details.

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

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **360 Capital Passive REIT** | | |
| Opening balance – 1 July | 17,989 | 15,333 |
| Acquisitions of interest | 8,477 | 2,884 |
| Equity accounted profit for the year | 1,355 | 1,845 |
| Distributions | (2,291) | (2,073) |
| Closing Balance | **25,531** | 17,989 |
| **360 Capital Digital Infrastructure Fund** | | |
| Opening balance – 1 July | - | - |
| Recognition on deconsolidation | 39,667 | - |
| Acquisitions of interest | 3,131 | - |
| Equity accounted profit for the year | 1,202 | - |
| Equity accounted reserves | (818) | - |
| Distributions | (2,176) | - |
| Closing Balance | **41,005** | - |
| | **66,536** | 17,989 |

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

The following table provides summarized financial information relating to 360 Capital Passive REIT:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **360 Capital Passive REIT** | | |
| Current assets | 118,954 | 65,713 |
| Non-current Assets | 12,072 | 20,975 |
| Current liabilities | (3,261) | (4,312) |
| Equity | **127,765** | 82,376 |
| Trust's carrying amount of investment | **25,531** | 17,989 |

| | $'000 | $'000 |
|---|---|---|
| Revenue from continuing operations | 6,956 | 8,695 |
| Other income | 362 | 459 |
| Expenses | (1,127) | (1,423) |
| Total comprehensive income for the year | **6,191** | 7,731 |
| Tax expense/(benefit) | **-** | 60 |
| Net Profit after tax | **6,191** | 7,671 |
| Trust's share of profit | **1,355** | 1,845 |

The following table provides summarized financial information relating to TDI:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **360 Capital Digital Infrastructure Fund** | | |
| Current assets | 66,477 | - |
| Non-current Assets | 46,071 | - |
| Current liabilities | (3,363) | - |
| Equity | **109,185** | - |
| Trust's carrying amount of investment | **41,005** | **-** |

| | $'000 | $'000 |
|---|---|---|
| Revenue from continuing operations | 2,254 | - |
| Other income | 5,607 | - |
| Expenses | (4,028) | - |
| Total comprehensive income for the year | **3,833** | **-** |
| Tax expense/(benefit) | (216) | - |
| Net Profit after tax | **4,049** | **-** |
| Trust's share of profit | **1,202** | **-** |

**Note 10: Trade and other payables**

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Accruals | 116 | 88 |
| | **116** | 88 |

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

**Note 11: Provisions**

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Distribution payable | 2,309 | - |
| | **2,309** | - |

**Note 12: Equity**

**(a) Issued capital**

| | 30 June 2020 000's | 30 June 2019 000's |
|---|---|---|
| 360 Capital Investment Trust - Ordinary units issued | 218,373 | 218,373 |
| | **$'000** | **$'000** |
| 360 Capital Investment Trust - Ordinary units issued | **194,877** | 194,880 |

**(b) Movements in issued capital**

Movements in issued capital of the Trust for the year were as follows:

| | 000's | '000 |
|---|---|---|
| Opening balance at 1 July | 218,373 | 210,028 |
| ESP securities with non-recourse loans repaid during the year | - | 6,000 |
| Securities issued under the Dividend Reinvestment Plan | - | 2,345 |
| Closing balance at 30 June | **218,373** | 218,373 |

| | $'000 | $'000 |
|---|---|---|
| Opening balance at 1 July | 194,880 | 142,149 |
| Capital Reallocation implemented 31 January 2018 | - | 47,714 |
| ESP securities with non-recourse loans repaid during the year | - | 3,080 |
| Securities issued under the Dividend Reinvestment Plan | - | 1,950 |
| Transaction costs incurred in issuing capital | (3) | (13) |
| Closing balance | **194,877** | 194,880 |

**Note 12: Equity (continued)**

Under Australian Accounting Standards, securities issued under the 360 Capital Group ESP are required to be accounted for as options and are excluded from total issued capital, until such time as the relevant employee loans are fully repaid or the employee leaves the Group. Total ordinary securities issued as detailed above is reconciled to securities issued on the ASX as follows:

| | 30 June 2020 000's | 30 June 2019 $'000 |
|---|---|---|
| Total ordinary units disclosed | 218,373 | 218,373 |
| Issued capital - balance of ESP issued in October 2013 | - | - |
| Issued capital – ESP issued in August 2017 | 12,500 | 12,500 |
| Total units issued on the ASX | **230,873** | 230,873 |

**(c) Employee Security Plan**

On 2 October 2013, 21,970,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group ESP. The ESP securities which had not been bought back or cancelled vested on 1 October 2016.

On 2 August 2017 and 13 October 2017, a total of 12,500,000 stapled securities were granted to employees of the Stapled Group under the 360 Capital Group ESP. The issue price per security was $0.98 which was equal to the volume weighted average price for the 10 days proceeding the issue date. These ESP securities are not included in the calculation of the basic number of stapled securities on issue due to the non-recourse nature of the associated ESP loans.

The employees who participated in the ESP were also provided with a loan on the grant date of an amount equivalent to the face value of the securities. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities.

Securities under the ESP were due to vest on 1 August 2020. Given the security price volatility triggered by the COVID-19 pandemic, together with ongoing market and economic uncertainty, the Board has decided to extend the vesting period by up to 12 months to 1 August 2021, subject to certain conditions and any securityholder approval where required. A holding lock remains on vested securities until such time as the associated loan is repaid.

On 23 December 2019, a total of 1,127,900 and 181,100 stapled securities were granted under Long Term Incentive offer (2019 LTI rights) performance rights to KMPs and staff respectively pursuant to the terms of the 360 Capital Group Executive Incentive Plan (EIP), exercisable from on or around 31 August 2022 (vesting date) subject to vesting conditions. Upon vesting and exercise in accordance with those plan terms, each performance right will vest and entitle the holder to one fully paid ordinary security (ASX: TGP).

**Note 13: Cash and cash equivalents**

**(a) Reconciliation of cash and cash equivalents**

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Cash at bank | 69,479 | 164,780 |
| Cash and cash equivalents in the statement of cash flows | **69,479** | 164,780 |

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

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Net profit for the year** | 4,464 | 4,675 |
| Adjustment for: | | |
| Provision for loss on financial assets | 10 | - |
| Net loss on fair value of financial assets | 89 | 2,044 |
| Net (gain)/loss on deconsolidation of controlled entity | - | 762 |
| Net loss on disposal of financial assets | (18) | - |
| Transaction costs | 15 | 595 |
| Share of equity accounted profits, net of distributions received | (1,092) | 227 |
| Change in assets and liabilities | | |
| Decrease in receivables and prepayments | 1,659 | 357 |
| Decrease in creditors and accruals | (367) | (3,129) |
| **Net cash inflows from operating activities** | **4,760** | 5,531 |

## Risk

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

### Note 14: Basis of preparation

#### a) Reporting entity

The financial report of 360 Capital Investment Trust comprises the consolidated financial statements of 360 Capital Investment Trust and its controlled entities. The consolidated entity forms part of the stapled entity, 360 Capital Group (Stapled Group) (ASX: TGP) comprising 360 Capital Group Limited and its controlled entities and 360 Capital Investment Trust and its controlled entities. A 360 Capital Group stapled security comprises one 360 Capital Group Limited share stapled to one 360 Capital Investment Trust unit to create a single listed entity traded on the ASX. The stapled security cannot be traded or dealt with separately.

The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the consolidated entity are disclosed in the Directors' report.

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

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

#### b) Statement of compliance

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

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

#### c) Basis of preparation

360 Capital Investment Trust and its controlled entities are for-profit entities for the purpose of preparing the financial report.

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

The financial report is presented in Australian dollars.

The consolidated entity 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 Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

#### d) 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.

**Note 14: Basis of preparation (continued)**

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 years.

The critical accounting estimates, judgements and assumptions have required additional analysis due to the COVID-19 pandemic. Given the effects of the COVID-19 global pandemic continue to unfold and the ultimate impact are still unknown, changes to estimates and assumptions used to measure assets and liabilities may arise in the future. Other than adjusting events which provide evidence of conditions which existed at the reporting date, the impact of events that arise subsequent to the reporting date will be accounted for in future reporting periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are:

Valuation of investment properties

The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken at least once in a two year period. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy Note 26(l).

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 Net Tangible Assets ('NTA') of the underlying Funds is used as a basis for valuation however may be amended as deemed appropriate. The consolidated entity 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.

In determining the NTA of the underlying investments, property assets are either valued using an external professional valuer, or subject to a Director valuation. All other assets and liabilities held within entities are valued in accordance with accounting policies, consistent with those noted in Note 26.

Control of entities

The Trust has consolidated the financial results of entities it is deemed to control under AASB10 *Consolidated Financial Statements*. Critical judgements are made by the Trust to determine whether control exists, principally around the three criteria which must be met (refer to Note 26(b). Further information on Controlled Entities is included in Note 19.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed in Note 26(s).

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

The consolidated entity has applied the amendments contained in the Corporations Amendment (Corporate Reporting Reform) Bill 2010 in the preparation of this financial report which allows for removing the requirement in consolidated financial statements to include full parent entity information. A note containing information about the Parent Entity has been included at Note 25.

**e) Changes in accounting policies and disclosures**

The consolidated entity applied AASB 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below and in Note 26(a).

**AASB 16 *Leases***
The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The consolidated entity elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease terms of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets) and as a result, no adjustment have been made to the financial statements.

## Note 15: Capital management

Under the direction of the Board, the consolidated entity manages its capital structure to safeguard the ability of the consolidated entity to continue as a going concern while maximising the return to unitholders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends and distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt.

For information on issued units refer to Note 14.

## Note 16: Other financial assets and liabilities

Overview
The consolidated entity'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 developed risk management principles and policies and monitors their implementation. Policies are established to identify and analyse the financial risks faced by the consolidated entity, 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 consolidated entity's activities.

The nature and extent of the financial instruments and the risk management policies employed by the consolidated entity are discussed below.

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

| | **30 June 2020 $'000** | **30 June 2019 $'000** |
|---|---:|---:|
| Cash and cash equivalents | 69,479 | 164,780 |
| Receivables | 1,958 | 745 |
| Financial assets at fair value through profit or loss | 3,837 | 2,183 |
| **Total** | **75,274** | 167,708 |

The consolidated entity 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 are no issues with the credit quality of financial assets that are neither past due or impaired, and all amounts are expected to be received in full.

### b) 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 consolidated entity'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.

**Note 16: Other financial assets and liabilities (continued)**

Interest rate risk
The consolidated entity's interest rate risk arises from borrowings and cash balances. Borrowings are at variable interest rates and expose the consolidated entity to cash flow interest rate risk. The consolidated entity utilises derivative financial instruments to hedge exposure to fluctuations in interest rates.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity period is:

| | Floating interest rate $'000 | Fixed interest maturing in 1 year or less $'000 | Fixed interest maturing in 1 to 5 years $'000 | Fixed interest maturing in more than 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 69,479 | - | - | - | - | 69,479 |
| Receivables | - | - | - | - | 1,958 | 1,958 |
| Loans receivable | - | 19,800 | - | - | - | 19,800 |
| Financial assets at fair value through profit or loss | - | - | - | - | 2,928 | 2.928 |
| Due from related entities | - | - | - | - | 15,638 | 15,638 |
| **Total financial assets** | **69,479** | **19,800** | **-** | **-** | **20,524** | **109,803** |
| Weighted average interest rate | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 116 | 116 |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | **116** | **116** |
| **Net financial assets/(liabilities)** | **69,479** | **19,800** | **-** | **-** | **20,408** | **109,687** |
| **30 June 2019** | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 164,780 | - | - | - | - | 164,780 |
| Receivables | - | - | - | - | 745 | 745 |
| Financial assets at fair value through profit or loss | - | - | - | - | 2,183 | 2,183 |
| Total financial assets | 164,780 | - | - | - | 2,928 | 167,708 |
| Weighted average interest rate | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 88 | 88 |
| Due to related entities | - | - | - | - | 5,322 | 5,322 |
| Total financial liabilities | - | - | - | - | 5,410 | 5,410 |
| Net financial assets/(liabilities) | 164,780 | - | - | - | (2,482) | 162,298 |

**Note 16: Other financial assets and liabilities (continued)**

**Summarised interest rate sensitivity analysis**

The table below illustrates the potential impact a change in interest rates by +/-1% would have had on the consolidated entity's profit.

| | Note | Carrying amount $'000 | Change in interest rate -1% Profit $'000 | Change in interest rate 1% Profit $'000 |
|---|---|---|---|---|
| **30 June 2020** | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | | 69,479 | (695) | 695 |
| Total (decrease) increase | | | **(695)** | **695** |
| **30 June 2019** | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | | 164,780 | (1,648) | 1,648 |
| Total (decrease) increase | | | (1,648) | 1,648 |

Liquidity risk

Liquidity risk is the risk that the consolidated entity 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 consolidated entity's reputation.

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

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

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

| | Carrying amount $'000 | Contractual cash flow $'000 | Less than 1 Year $'000 | Between 1-5 Years $'000 | Over 5 Years $'000 |
|---|---|---|---|---|---|
| **30 June 2020** | | | | | |
| Trade and other payables | 116 | (116) | (116) | - | - |
| Distribution payable | 2,309 | (2,309) | (2,309) | - | - |
| | **2,425** | **(2,425)** | **(2,425)** | **-** | **-** |
| **30 June 2019** | | | | | |
| Trade and other payables | 88 | (88) | (88) | - | - |
| | 88 | (88) | (88) | - | - |

**Note 16: Other financial assets and liabilities (continued)**

Price risk
The consolidated entity is exposed to equity securities price risk. This arises from investments held by the consolidated entity and classified on the statement of financial position as financial assets at fair value through profit or loss. The consolidated entity is not exposed to commodity price risk.

The investments within the consolidated entity are listed and unlisted property securities. These risks include, but are not limited to, exposure from different investment classes and geographical locations. The overall risk to exposures from investments is monitored and managed by the Board, and policies are set which each individual fund complies with. The framework of the composition of the securities held by the consolidated entity is in line with consolidated entity policies.

Price risk – sensitivity analysis
A fluctuation of 1% in the market price of the underlying equity securities/units would impact the net profit of the consolidated entity, with all other variables held constant, by an increase/(decrease) of $38,370 (2019: $6,765).

**Fair values**
The fair value of receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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

For financial instruments that are recognised at fair value on a recurring basis, the consolidated entity 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.

As at 30 June 2019, the consolidated entity held the following classes of financial instruments measured at fair value:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **As at 30 June 2020:** | | | | |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | **3,837** | 1,611 | - | 2,226 |
| **As at 30 June 2019:** | | | | |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | **2,183** | - | - | 2,183 |

There were no transfers between Level 1 and Level 2 fair value measurements, and no other transfers into or out of Level 3 fair value measurements. Fair value hierarchy levels are reviewed on an annual basis unless there is a significant change in circumstances indicating that the classification may have changed.

**Note 16: Other financial assets and liabilities (continued)**

Reconciliation of fair value measurements categorised within the Level 3 hierarchy for the year is as follows:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Balance at 1 July | 2,183 | 4,227 |
| Financial assets acquired | 1,750 | - |
| Financial assets disposed | (2,183) | - |
| Fair value adjustment of financial assets | 476 | (2,044) |
| Closing balance | **2,226** | 2,183 |

**Valuation techniques**

Financial assets at fair value through profit or loss

For fair value profit or loss financial assets, the consolidated entity invests in listed and unlisted investments. The value of the investments in the listed market is stated at unit price as quoted on the ASX at each statement of financial position date. As such, listed investments are categorised as Level 1 instruments. Unlisted investments are not traded in an active market and are categorised as Level 3 instruments. NTA of the underlying investments is used as a basis for valuation however may be amended as deemed appropriate (e.g. when the NTA of the underlying investment is negative).

The NTA of investments is driven by underlying investment properties which are carried at fair value based on valuations using the capitalisation rate, markets sale comparison and discounted cash flow approaches (refer to Note 15). The significant Level 3 inputs in relation to the underlying property valuations of the investments include capitalisation rates and discount rates. The consolidated entity uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date.

Derivatives

For derivatives, as market prices are unavailable the consolidated entity uses valuation models to derive fair value. The models are industry standard and mostly employ a Black–Scholes framework to calculate the expected future value of payments by derivative, which is discounted back to a present value. The models' interest rate inputs are benchmark interest rates such as BBSW and active broker quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced through a consensus data provider. As such, the input parameters into the models are deemed observable, thus these derivatives are categorised as Level 2 instruments.

**Note 16: Other financial assets and liabilities (continued)**

Borrowings
The fair value of the borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

## Group Structure

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

### Note 17: Business combinations and acquisition of non-controlling interests

Acquisitions of subsidiaries during the year ended 30 June 2020 are detailed below. There were no business combinations or acquisitions of non-controlling interests in the prior period.

360 Capital Digital Infrastructure Fund (ASX: TDI)

On 2 July 2019 TDI was established and the Trust subscribed for 12,875,001 units in the fund for $25,000,002 representing 100% ownership of TDI. CFML was appointed as responsible entity of TDI. The Trust is deemed under AASB10 Consolidated Financial Statements to control TDI as it owns 100% of the fund.

On 17 September 2019, TDI issued 12,874,999 additional units for $24,999,998. The Trust subscribed for 7,321,239 of these units for $14,215,998, which led to an overall dilution in the Trust's ownership of TDI to 78.4%. The Trust is deemed under AASB10 Consolidated Financial Statements to control TDI as it continues to hold a 78.4% interest in TDI. At the date of dilution, the fair value of assets and liabilities was $25.0 million leading to no gain or loss on dilution.

On 31 October 2019, TDI became listed on the ASX (ASX code TDI) and as part of the IPO issued 32,500,000 additional units for $65,000,000. The Trust subscribed for 1,565,571 of these units for $3,131,142, which led to an overall dilution in the Trust's ownership of TDI to 37.4%. The Trust is deemed under AASB10 Consolidated Financial Statements to no longer control TDI as its ownership of TDI is below 50%. TDI has been deconsolidated from this date and as the Trust then has significant influence over TDI, the fair value of TDI has been established as the initial carrying value of the equity accounted associate and equity accounting has been performed from 31 October 2019 through to the reporting date. A gain on deconsolidation of $0.1m has been recognised.

360 Capital Active Value Equity Fund (CAVEF)

On 26 November 2019 the Group subscribed for 808,541 units for $1,617,082 representing 100% ownership of CAVEF. 360 Capital FM Limited (an entity owned by the Group) was appointed as responsible entity of CAVEF. On 23 December 2019, CAVEF issued 66,452 additional units to external parties for $132,904 and on 25 June 2020 issued a further $774,298 units for $1,826,630, of which the Group acquired 754,298. At 30 June 2020 the Group holds 94.8% of the fund and the Group is deemed under AASB10 Consolidated Financial Statements to control CAVEF.

From the date of acquisition, CAVEF contributed $0.5 million of revenue and $0.2 million to profit before tax from continuing operations and other income of the Group. These amounts have been calculated using the Group's accounting policies.

**Note 18: Divestment of subsidiary**

There were no divestment transactions during the current year. Divestment transactions which occurred in the prior year are detailed below.

**Summary of divestment transaction**

On 8 October 2018 NEXTDC Limited (ASX: NXT) made an unconditional on-market takeover bid for AJD, to acquire all the AJD securities it did not already own. NEXTDC offered $2.00 per AJD security and AJD securityholders were entitled to receive a special distribution of $0.02 cents per security together with the September 2018 quarterly distribution of $0.02 cents per security.

On 12 October 2018, the Group disposed of its investment in Asia Pacific Data Centre Group (AJD) via the takeover offer by NEXTDC for a total consideration of $154.8 million.

Prior to the disposal, the consolidated entity held a 67.3% stake in Asia Pacific Data Centre Trust (APDC Trust) and as a consequence of the disposal, APDC Trust has been deconsolidated from the results of the Group from 12 October 2018.

Details of the disposal consideration to divest the controlling interest in APDC Trust on 12 October 2018 are as follows:

| | **$'000** |
|---|---|
| Cash received | 153,999 |
| **Total disposal consideration** | **153,999** |

Net assets divested:

| | **$'000** |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 2,571 |
| Receivables and other current assets | 1,194 |
| Investment properties | 261,000 |
| **Liabilities** | |
| Trade and other payables | 5,750 |
| Borrowings | 29,000 |
| Derivative financial instruments | 90 |
| Carrying value of assets divested | 229,925 |
| Less: Non-controlling interests | (75,164) |
| Carrying value of assets divested excluding non-controlling interest | 154,761 |
| **Net loss on disposal recognised during the period** | **(762)** |

The carrying value of net assets divested has been calculated with reference to the most recent publicly available information to calculate the net assets of AJD on 12 October 2018.

**AJD financial information**

The takeover offer by NEXTDC for AJD was announced on the 8 October 2018 and the Group accepted into the offer its 67.3% stake in AJD on 12 October 2018. Following the Group's acceptance of the takeover offer, NEXTDC effectively gained control of AJD on 12 October 2018 by obtaining a 97% interest in AJD. NEXTDC announced a compulsory takeover of all the AJD securities it did not already own on 23 October 2018 having acquired a relevant interest in AJD of 98.02%. On 29 November 2018 AJD was suspended from official quotation on the ASX following the dispatch of compulsory acquisition notices by NEXTDC and on 24 December 2018 AJD was removed from the official list of ASX.

**Note 18: Divestment of subsidiary (continued)**

Given the above events the Group has not been able to obtain all relevant financial information relating to AJD's operations or financial position for the period 1 July 2018 to the date of disposal of 12 October 2018. The Group has therefore used the AJD's financial position recorded in its financial statements as at 30 June 2018, adjusted for those items that the Group believes can be reliably estimated to derive the value of net assets disposed of on 12 October 2018.

**Income statement**

The net profit of AJD for the period from 1 July 2018 to 12 October 2018 included in the consolidated entity's results is set out below:

| | **$'000** |
|---|---|
| Rental income | 3,969 |
| Finance expenses | (352) |
| Other expenses | (494) |
| **Net Profit** | **3,123** |

The Trust has included rental income and interest expense of AJD in its results as the Group believes these items can be reliably estimated with reference to the most recent publicly available information.

**Net assets on disposal**

The net assets of AJD on disposal may be misstated to the extent any movement between 30 June 2018 and 12 October 2018 outside of those movements which the Group has estimated (refer above). These movements will impact the gain or loss on disposal of AJD. Any such misstatement will not impact the net assets of the Group as at 31 December 2018 given the compensating impact of the adjustment to the loss on disposal of AJD. The directors of the Group have assessed the fair value of investment properties owned by AJD at the disposal date and believe they were recorded at fair value. The carrying values were consistent with external valuations conducted by AJD as at 30 June 2018. The value of net assets attributed to the securityholder of the Group at 31 December 2018 should not be impacted by any movements in AJD net assets prior to disposal date.

Disposal consideration – cash flows on disposal

| | **$'000** |
|---|---|
| Cash consideration received | 153,999 |
| Add: Special distribution received | 1,548 |
| **Inflow of cash upon disposal of subsidiary** | **155,547** |
| Less: Cash and cash equivalents deconsolidated | (2,571) |
| **Total cash inflow upon disposal** | **152,976** |

**Note 19: Subsidiaries and controlled entities**

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities:

**a) Interest in controlled entities of 360 Capital Investment Trust**

| Name of entity | Country of domicile | Equity Class | Equity Holding 30 June 2020 % | Equity Holding 30 June 2019 % |
|---|---|---|---|---|
| Trafalgar Opportunity Fund No.4 | Australia | Ordinary units | 100 | 100 |
| 360 Capital Trust | Australia | Ordinary units | 100 | 100 |
| 360 Capital Retail Fund | Australia | Ordinary units | 100 | 100 |
| 360 Capital Diversified Property Fund | Australia | Ordinary units | 100 | 100 |
| 360 Capital DIP Trust [1] | Australia | Ordinary units | 100 | 100 |
| 360 Capital Active Value Equity Fund [2] | Australia | Ordinary units | 94.8 | - |

[1] Previously 360 Capital AJD Trust.

[2] During the prior year the Trust invested into 360 Capital Active Value Equity Fund and the results are consolidated into the results of the Group. Refer to Note 17 for more information.

**Unrecognised Items**

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

**Note 20: Commitments and contingencies**

Capital commitments
As at 30 June 2020, the consolidated entity had no capital commitments (2019: Nil).

Contingencies

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

**Note 21: Events subsequent to balance date**

On 22 July 2020 the Trust's loan receivable of $19.8 million to a childcare operator was repaid and the Group does not currently have any loans to third parties outstanding.

In August 2020, the Group acquired a 19 .9% stake in Australian Enhanced Income Fund (ASX: AYF) and has proposed a change in responsible entity to 360 Capital FM Limited.

Securities under the ESP were due to vest on 1 August 2020. Given the security price volatility triggered by the COVID-19 pandemic, together with ongoing market and economic uncertainty, the Board has decided to extend the vesting period by up to 12 months to 1 August 2021, subject to certain conditions and any securityholder approval where required.

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

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

**Other Information**

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

**Note 22: Auditor's remuneration**

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Audit services | | |
| Fees for auditing the statutory financial reports of the parent and its controlled entities | 19,000 | 18,501 |
| Fees for other assurance services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm | 4,000 | 8,700 |
| Non-audit services | | |
| Taxation compliance services | 25,300 | 28,050 |
| **Total Fees to Ernst & Young Australia** | **50,300** | 55,251 |

**Note 23: Earnings per unit**

| | 30 June 2020 ¢ | 30 June 2019 ¢ |
|---|---|---|
| Basic earnings per unit | 2.0 | 1.7 |
| Diluted earnings per unit | 1.9 | 1.6 |

| | $'000 | $'000 |
|---|---|---|
| **Basic and diluted earnings** | | |
| Profit attributable to unitholders of the consolidated entity used in calculating earnings per unit | 4,302 | 3,654 |

| | 000's | 000's |
|---|---|---|
| **Weighted average number of units used as a denominator** | | |
| Weighted average number of units - basic | 218,373 | 212,934 |
| Weighted average number of units - diluted | 230,873 | 230,454 |

Dilution

As at 30 June 2019, there is a total of 12,500,000 stapled securities outstanding that have been granted to employees of the Stapled Group under the 360 Capital Group Employee Security Plans (ESP). These ESP securities have an associated loan to the employees and are therefore excluded from the calculation of basic securities on issue due to the non-recourse nature of the associated ESP loans.

Further information on the ESP is provided in Note 14.

**Note 24: Related party transactions**

Parent entity
The legal parent entity is 360 Capital Investment Trust (ARSN 104 552 598).

Controlled entities
Interests in controlled entities are set out in Note 19.

Responsible Entity
The Responsible Entity of the Trust is 360 Capital FM Limited. 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 following significant transactions occurred with related parties during the year:

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

Investment in TDI
The Group also acquired a total of 21,761,811 in 360 Capital Digital Fund Infrastructure (TDI) for $42.3 million.

Key management personnel
The consolidated entity does not employ personnel in its own right. However, it has an incorporated Responsible Entity, 360 Capital FM Limited (previously 360 Capital Investment Management Limited), to manage the activities of the consolidated entity. The Directors and key management personnel of the Responsible Entity are detailed below. No compensation is paid directly by the consolidated entity to Directors or to any of the key management personnel of the Responsible Entity.

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

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

KMP
Tony Pitt, Managing Director
Glenn Butterworth, Chief Financial Officer and Joint Company Secretary
James Storey, Head of Real Assets
Christopher Chase, Head of Private Credit – commenced role on 27 August 2019
Dennison Hambling, Head of Public & Private Equity – commenced role on 27 February 2020

Securities held in 360 Capital Group by Directors

| NEDS | Held at 1 July 2019 | Granted as remuneration | Acquisition | Disposal | Held at 30 June 2020 |
|---|---|---|---|---|---|
| David van Aanholt | 377,650 | - | - | - | 377,650 |
| William Ballhausen | 500,000 | - | - | - | 500,000 |
| Graham Lenzner | 352,409 | - | - | - | 352,409 |
| Andrew Moffat | 1,057,050 | - | - | - | 1,057,050 |
| | 2,287,109 | - | - | - | 2,287,109 |

**Note 24: Related party transactions (continued)**

Securities held in 360 Capital Group by key management personnel

| KMP | Held at 1 July 2019 | Granted as remuneration | Acquisition | Disposal | Held at 30 June 2020 |
|---|---|---|---|---|---|
| Tony Pitt | 67,500,000 | - | - | - | 67,500,000 |
| Glenn Butterworth | 3,262,926 | - | - | - | 3,262,926 |
| James Storey | 3,000,000 | - | - | - | 3,000,000 |
| Christopher Chase[1] | - | 1,000,000 | - | - | 1,000,000 |
| Dennison Hambling[2] | - | - | 1,000,000 | - | 1,000,000 |
| | 73,762,926 | 1,000,000 | 1,000,000 | - | 75,762,926 |

1. Securities were granted to Christopher Chase under the 360 Capital Group Employee Security Plan on 2 August 2019
2. Securities held by Dennison Hambling at the date he was appointed a KMP.

The following loans have been provided to KMP through their participation in the 360 Capital Group employee security plan:

| KMP | Balance at start of the year $ | ESP loans issued during the year $ | Interest charged in the year $ | Payments made during the year $ | Balance at end of the year $ | Highest indebtness during the year $ |
|---|---|---|---|---|---|---|
| Tony Pitt | 2,940,000 | - | 120,000 | (120,000) | 2,940,000 | 2,940,000 |
| Glenn Butterworth | 2,940,000 | - | 120,000 | (120,000) | 2,940,000 | 2,940,000 |
| James Storey | 2,940,000 | - | 120,000 | (120,000) | 2,940,000 | 2,940,000 |
| Christopher Chase[1] | - | 1,030,000 | 40,000 | (40,000) | 1,030,000 | 1,030,000 |
| | 8,820,000 | 1,030,000 | 400,000 | (400,000) | 9,850,000 | 9,850,000 |

1. Loan was granted to Christopher Chase under the 360 Capital Group Employee Security Plan on 2 August 2019.

The loan provided on the grant date was equivalent to the face value of the securities. Existing loans at the beginning of the year were granted on 2 August 2017 as part of the Group's ESP. Interest on the loan is equal to any distributions or dividends paid on the securities over the 3 year period, and should performance hurdles not be met, or participants elect not to repay the loan, then the Board, at its discretion, will either sell or cancel the securities. For further information on these loans refer to Note 12.

Due from/to related entities

The following amounts are outstanding with related parties at balance date:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Current Assets** | | |
| Due from 360 Capital Group Limited | 15,637,809 | - |
| | **15,637,809** | **-** |
| **Current liabilities** | | |
| Due to 360 Capital Group Limited | - | 2,162,829 |
| | - | 2,162,829 |

Related entity loans are unsecured, non-interest bearing and payable on demand.

**Note 24: Related party transactions (continued)**

Responsible Entity's fees

Under the terms of the constitution, the Responsible Entity is entitled to receive management fees. During the year the Responsible Entity charged management fees totalling $730,200 (2019: $785,700)

**Note 25: Parent entity disclosures**

The following details information relating to the parent entity 360 Capital Investment Trust.

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Current assets | 69,677 | 164,894 |
| Non-current assets | 106,480 | 85,319 |
| **Total assets** | **176,157** | 250,213 |
| | | |
| Current liabilities | 2,574 | 40 |
| Non-current liabilities | 53,364 | 120,899 |
| **Total liabilities** | **55,938** | 120,939 |
| | | |
| Issued capital | 277,698 | 192,880 |
| Accumulated losses | (157,479) | (63,606) |
| **Total equity** | **120,219** | 129,274 |
| | | |
| Net profit/(loss) for the year | 182 | 959 |
| **Total comprehensive income/(loss) for the year** | **182** | 959 |

### Note 26: Statement of significant accounting policies

#### a) Changes in accounting policy

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

**AASB 16 *Leases***

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Trust elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease terms of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets) and as a result, no adjustment have been made to the financial statements.

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

#### b) Basis of consolidation

Stapling
On 2 October 2013, 360 Capital Group was formed by stapling together the shares of the 360 Capital Group Limited (Company) and the units of 360 Capital Investment Trust (Trust). Equity holders of the Stapled Group are entitled to an equal interest in each stapled entity.

The Constitutions of the Trust and the Company ensure that, for so long as these entities remain jointly listed, the number of units in the Trust and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interest of 360 Capital Group.

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.

Business combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the consolidated entity elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the consolidated entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the consolidated entity re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss.

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Trust as at 30 June 2020 and the results of all subsidiaries for the period then ended.

**Note 26: Statement of significant accounting policies (continued)**

Subsidiaries are entities controlled by the Trust. 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 subsidiaries 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 consolidated entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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

### c) Segment reporting

Segment information is presented in respect of the consolidated entity'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 consolidated entity's management and internal reporting structure.

Operating segments are determined based on the information which is regularly reviewed by the Managing Director, who is the Chief Operating Decision Maker within the consolidated entity.

### d) Revenue recognition

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

<u>Rental from investment properties</u>
Rental revenue from investment properties is recognised on a straight-line basis over the lease term where leases have fixed increments, otherwise on an accruals basis. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, a current liability. Lease incentives granted are recognised over the lease term on a straight-line basis as a reduction of rental revenue.

<u>Distributions from property funds</u>
Distribution income from investments is recognised when the unitholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the unitholder and the amount of income can be measured reliably.

<u>Interest income</u>
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.

<u>Other income</u>
Other income is recognised when the right to receive the revenue has been established.

**Note 26: Statement of significant accounting policies (continued)**

**e) Finance expenses**

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

**f) Income tax**

Under current Australian income tax legislation, the consolidated entity is not liable for income tax provided its taxable income and taxable capital gains are fully distributed to unitholders each year.

**g) Impairment of assets**

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

**h) Cash and cash equivalents**

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

**i) Receivables**

Receivables, previously classified as *Loans and receivables* under AASB 139 are now 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.

Amounts not recoverable are assessed at each reporting date. Indicators that an amount is not recoverable include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. Any allowances for non-recoverable receivables are recognised in a separate allowance account. Any bad debts which have previously been provided for are eliminated against the allowance account. In all other cases bad debts are written off directly to the statement of profit or loss.

**j) Financial instruments**

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured 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.

<u>Financial assets at fair value through profit or loss</u>
Financial assets designated at fair value through profit or loss comprises investments in unlisted and listed funds. Upon initial recognition, the investments are designated at fair value through profit or loss in accordance with AASB 9 *Financial Instruments*. The consolidated entity has elected to measure these investments at fair value through profit or loss as allowed under paragraph 18 of AASB 128 *Investments in Associates and Joint Ventures*.

**Note 26: Statement of significant accounting policies (continued)**

Financial assets designated 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 consolidated entity's documented investment strategy. The consolidated entity'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 consolidated entity 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 consolidated entity's right to receive payments is established.

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

Financial liabilities and equity
Financial liabilities and equity instruments issued by the consolidated entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out in Note 28(o) and Note 28(q) below.

Related party loans
Loans from and to related parties are unsecured, non-interest bearing and payable on demand unless otherwise specified.

Impairment
The Trust assesses expected credit losses upon initial recognition of the financial asset with a forward-looking expected credit loss (ECL) approach for all financial assets not held at fair value through profit or loss. For trade and other receivables, the Trust applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

**k) Assets held for sale**

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets must meet the following criteria:

- the asset is available for immediate sale in its present condition and is highly probable;
- an active program to locate a buyer and complete a sale must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be completed within 12 months from the date of classification.

Immediately before applying the classification as held for sale, the measurement of the assets is brought up to date in accordance with applicable accounting standards.

Investment properties which are classified as held for sale are carried at fair value as the measurement provisions of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* do not apply to investment properties.

Impairment losses determined at the time of initial classification of the non-current asset as held for sale are included in the statement of profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

**Note 26: Statement of significant accounting policies (continued)**

**l) Investment properties**

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation, or both. Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the statement of profit or loss in the period. An external, independent valuer with appropriately recognised professional qualification and recent experience in the location and category of the property being valued, values the individual properties when considered appropriate as determined by management in accordance with a Board approved valuation policy. Valuation methods used to determine the fair value include market sales comparison, discounted cash flow and capitalisation rate. The fair value for a property may be determined using a combination of these and other valuation methods.

These external valuations are taken into consideration when determining the fair value of the investment properties. The fair values are 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 a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without prejudice.

**m) Derivative financial instruments**

The consolidated entity uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. The significant interest rate risk arises from bank borrowings. The consolidated entity does not use derivative financial instruments for speculative purposes.

Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The net fair value of all derivative financial instruments outstanding at the statement of financial position date is recognised in the statement of financial position as either a financial asset or liability.

The Directors have decided not to use the option in AASB 139: *Financial Instruments: Recognition and Measurement* to classify the interest rate swaps as cash flow hedges and accordingly these are classified as at fair value through profit or loss, and the changes in the fair value of the derivative financial instruments are recognised in the statement of profit or loss.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the statement of financial position date, taking into account current and future interest rates.

**n) Trade and other payables**

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

**o) Borrowings**

Interest bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Transaction costs are amortised over the term of the borrowing and the balance of transaction costs is amortised immediately upon a borrowing being substantially renegotiated, refinanced or repaid in full.

**p) Provisions**

A provision is recognised in the statement of financial position when the consolidated entity 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.

**Note 26: Statement of significant accounting policies (continued)**

Distributions

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

### q) Issued units

Issued units represent the amount of consideration received for units issued by the consolidated entity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

### r) Goods and services tax (GST)

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

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

### s) Accounting standards issued but not yet effective

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

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

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

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

1) The consolidated financial statements and notes that are set out on pages 6 to 43 are in accordance with the *Corporations Act 2001*, including:

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

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

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

3) The Directors have given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2020.

4) The Directors draw attention to Note 14(b) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

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

**David van Aanholt**
Chairman

**Tony Robert Pitt**
Managing Director

Sydney
31 August 2020

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# Independent Auditor's Report to the unitholders of 360 Capital Investment Trust

## Report on the Audit of the Financial Report

### Opinion

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

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

a) giving a true and fair view of the financial position of the Group as at 30 June 2020 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Key Audit Matters

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

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

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## Recoverability of Property Loans

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The Group's consolidated statement of financial position includes $19.8m of gross property loans receivable and an associated expected credit loss (ECL) of $0.01m at 30 June 2020.<br><br>The Directors' assessment as to the recoverability of the property loans involves judgement, specifically relating to the individual circumstances of each debtor.<br><br>The Group applies Australian Accounting Standard AASB 9 Financial Instruments in calculating the provision for ECL, applying a forward-looking expected loss impairment model. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.<br><br>As at 30 June 2020 there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the property values, that underpin the carrying values of the property loans, may change significantly and unexpectedly over a relatively short period of time.<br><br>This was a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to credit exposures and value of the underlying security to determine the recoverability of the property loans. | Our audit procedures included the following:<br>‣ We assessed the classification of each property loan to determine whether their classification as amortised cost is appropriate based on the underlying terms.<br>‣ We evaluated the adequacy of the collateral for the loans by:<br>    ‣ comparing the property sales revenue assumed to the most recent historical or comparable sales where applicable;<br>    ‣ obtaining the latest valuation of the property securing the loan where applicable.<br>‣ We have performed sensitivities over the recoverable value of the loans in the event that the security value was to decline as a result of current market conditions<br>‣ We assessed whether the Group's methodology in calculating the ECL provision was consistent with the requirements of Australian Accounting Standards and re-performed the Group's calculations. This included considering whether any changes were required as a result of the impact of COVID-19.<br>‣ We assessed the key inputs into the ECL provision including:<br>    ‣ The completeness of the loans included in the calculation,<br>    ‣ The appropriateness of the credit rating applied to individual borrowers with reference to borrower specific and macroeconomic factors,<br>‣ We evaluated the classification of loans between current and non-current.<br>‣ We have considered the adequacy of the financial report disclosures, in particular those relating to the estimates and judgements. |

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## Information Other than the Financial Report and Auditor’s Report Thereon

The directors of the Responsible Entity are responsible for the other information. The other information is the directors’ report accompanying the financial report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- 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.

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

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

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

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

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

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

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
31 August 2020