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360 Capital Digital Infrastructure Fund (ASX: TDI) 31 August 2020

Appendix 4E

For the year ended 30 June 2020

360 Capital Digital Infrastructure Fund (**the Group**) comprises the stapling of 360 Capital FM Limited (ABN 15 090 664 396 AFSL 221474) as Responsible Entity for 360 Capital Digital Infrastructure Fund (**360CDIF**) (ARSN 635 566 531) and 360 Capital Digital Infrastructure Fund 2 (**360CDIF2**) (ARSN 638 320 420).

This Preliminary Financial Report is given to the ASX in accordance with Listing Rule 4.3A. This report should be read in conjunction with the Annual Report for the year ended 30 June 2020. It is also recommended that the Annual Report be considered together with any public announcements made by the Group. Reference should also be made to the statement of significant accounting policies as outlined in the Financial Report. The Annual Report for the year ended 30 June 2020 is attached and forms part of this Appendix 4E.

Details of reporting period

Current reporting period:	2 July 2019 – 30 June 2020
Prior corresponding period:	N/A

Results announcement to the market

	30 Jun 2020 $‘000
Revenue and other income from ordinary activities	7,861
Profit attributable to stapled securityholders for the year	4,053
Operating profit[1]	6,354

[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 Group. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of the Group’s statutory profit to operating earnings is provided in Note 1 of the Financial Report.

	30 Jun 2020 Cents per security
Earnings per security – Basic and diluted	9.1
Operating profit per security	14.2

Distributions

	Cents per Security	Total paid	Date of payment
March quarter distribution	4.5	2,621	25 April 2020
June quarter distribution	5.5	3,161	28 July 2020
Total distribution for the year ended 30 June 2020	**10.0**	**5,782**	

On 17 March 2020 the Group implemented the stapling of the Group as part of the stapling of the 360CDIF to the 360CDIF2, which was capitalised through the payment of the special distribution of 60.0 cents per security from the 360CDIF and the compulsory reinvestment as capital in the 360CDIF2 of 60.0 cents per security, which equated to approximately $35.0 million.

Distribution reinvestment plan

N/A

Net tangible asset per security

	30 Jun 2020 $
NTA per security	1.89

Control Gained or Lost over Entities during the year

Refer to Note 17 Controlled Entities of the Financial Report.

360 Capital

360 CAPITAL DIGITAL INFRASTRUCTURE FUND

Annual Report

FOR THE YEAR ENDED 30 JUNE 2020

360 CAPITAL DIGITAL INFRASTRUCTURE FUND COMPRISES THE 360 CAPITAL DIGITAL INFRASTRUCTURE FUND (ARSN 635 566 531) AND THE 360 CAPITAL DIGITAL INFRASTRUCTURE FUND 2 (ARSN 638 320 420)

360 CAPITAL DIGITAL INFRASTRUCTURE FUND

Annual Report
For the year ended 30 June 2020

360 Capital Digital Infrastructure Fund is a stapled entity comprising 360 Capital Digital Infrastructure Fund (ARSN 635 566 531) and its controlled entities and 360 Capital Digital Infrastructure Fund 2 and its controlled entities (ARSN 638 320 420).

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The Directors of 360 Capital FM Limited (CFML) (ABN 15 090 664 396) (AFSL No 221474), the Responsible Entity, present their report together with the financial report of 360 Capital Digital Infrastructure Fund (the Group or Fund or consolidated entity) (ASX: TDI) and 360 Capital Digital Infrastructure Fund 2 for the year ended 30 June 2020.

360 Capital Digital Infrastructure Fund is a stapled entity comprising 360 Capital Digital Infrastructure Fund (360CDIF) (Parent Entity) and its controlled entities and 360 Capital Digital Infrastructure Fund 2 and its controlled entities (360CDIF2).

Directors

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

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

Principal activities

The 360CDIF was established and commenced operations on 2 July 2019 and was registered as a managed investment scheme on 28 August 2019. It commenced trading on the Australian Securities Exchange (ASX) on 31 October 2019.

The 360CDIF2 was established on 6 January 2020. It was registered as a managed investment scheme on 10 January 2020. It was stapled to the 360CDIF on 17 March 2020 and the Group commenced trading as a stapled security on 18 March 2020.

The Group listed on the ASX as a unique, opportunistic fund investing in a pool of digital infrastructure assets not usually available to retail investors. The Group's objective is to deliver an internal rate of return of 10.0% plus per annum through disciplined investment in a broad range of digital infrastructure opportunities.

Operating and financial review

Key financial highlights for the year ended 30 June 2020

Statutory net profit

$4.1m

Statutory net profit attributable to securityholders included $1.9 million property rental income and $5.5 million gain on the redemption of the convertible note offset by $2.0 million loss on fair value of investment properties.

Operating profit

$6.4m

Operating profit[1] of $6.3 million allowed for the distribution of 10.0 cents per security (cps) during the year including the distribution of the convertible note gain equating to 9.4 cps.

Key operational achievements for the year ended 30 June 2020

Cash balance

$66.3m

$66.3 million cash balance as at 30 June 2020 available for deployment into the investment pipeline in FY21, including the roll-out of the FibreconX dark fibre network.

Convertible Note Redemption

$5.5m

gain on redemption

The Group redeemed its convertible note with a global hyperscale data centre operator in April 2020 recognising total gain of $5.5 million[2] and an IRR of 115%.

Guam Data Centre

Sep-20

Completion forecast

The construction of the Guam data centre is due for completion in September 2020, with 71 racks committed by a large US multinational and subsea cable tenant on 15-year (plus two 5 year extensions) contracts.

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

2 The Group received a redemption premium payment of $4.8 million (SGD $4.2 million based on exchange rate of 0.88) and face value of $11.4 million (SGD $10.0 million based on exchange rate of 0.88). Total gains included fair value gain of $4.5 million and realized foreign exchange gains of $1.0 million

Financial overview

The Group's statutory net profit attributable to securityholders for the year ended 30 June 2020 was $4.1 million. The Group's balance sheet as at 30 June 2020 had gross assets of $112.5 million.

The Group's operating profit (profit before non-operating items) for the year ended 30 June 2020 was $6.4 million.

The 360CDIF2's statutory net loss attributable to securityholders for the year ended 30 June 2020 was $0.7 million. The 360CDIF2's balance sheet as at 30 June 2020 had gross assets of $34.6 million.

The 360CDIF2's operating loss (loss before non-operating items) for the year ended 30 June 2020 was $0.3 million.

Group Overview

The Group has experienced a very busy first 8 months of operation mainly focused on building a deal pipeline and prosecuting potential transactions. Additionally given the early stage of the Group, which only listed on the ASX on 31 October 2019, a large amount of time has been spent marketing to funds and investors about the fund's strategy and investments.

Stage one of the Guam data centre (107 racks/~0.8MW) is expected to go live September 2020 and the centre can easily expand to 247 racks / 1.8MW. 71 of the 107 stage one racks have been committed by a large US multinational and a subsea cable tenant on a 15 year (plus two 5 year extensions) contracts and further contracts are progressing for several other tenants for similar duration.

The Perth data centre continues to perform as per the lease and has not been impacted by COViD-19. The property was valued again in March 2020 at $37 million in line with its original purchase price. In July 2020 a $20 million bank facility secured over this asset has been arranged to support future growth opportunities for the Group.

Summary and Outlook

The digital infrastructure sector has, as predicted, seen a significant amount of growth in the period driven by the ongoing growth in internet usage and more importantly the significant growth in cloud adoption. In particular cloud provider investment in data centres has proven more robust than expected. Going forward it is expected these trends will continue through the impact of 5G investment by mobile carriers.

Investment Strategy

The Group aims to provide unitholders with income and capital returns from investing in a diverse portfolio of digital infrastructure assets. The Responsible Entity and Investment Manager believe that the digital revolution is creating a once in a lifetime investment cycle in technology infrastructure assets to support the rapid growth of cloud, Internet and a hyper connected world.

Based on investor feedback, it has been decided that the Group should narrow its investment strategy to focus on data centre investments. As a result of this the investment in FibreconX Pty Ltd has been disposed at market value, subsequent to balance date.

Risks

The effects of the COVID-19 global pandemic continue to unfold, and the ultimate impact globally are still unknown. The Group has considered the impact of COVID-19 in preparing its financial report for the year. The pandemic has provided a huge amount of focus on digital infrastructure and how important a role it plays in society. Whether it be from home working or schooling, video conferencing or streaming entertainment, the Group is fortunate to be one of the few sectors benefiting in these challenging times.

Despite a large amount of capital seeking opportunities in the sector, the Group is confident that its deep sector knowledge and strong relationships coupled with our style of investment will continue to allow us to differentiate from other investors in the sector.

Distributions

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

	30 June 2020 $'000
March 2020 quarterly distribution 4.5 cps paid on 25 April 2020	2,621
June 2020 quarterly distribution 5.5 cps paid on 28 July 2020	3,161
	5,782

On 17 March 2020 the Group implemented the stapling of the Group as part of the stapling of the 360CDIF to the 360CDIF2, which was capitalised through the payment of the special distribution of 60.0 cents per unit from the 360CDIF and the compulsory reinvestment as capital in the 360CDIF2 of 60.0 cents per unit, which equated to approximately $35.0 million.

Buy back arrangements

As detailed in the Fund constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders. During the year ended 30 June 2020 the following units were bought back and cancelled:

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
279,030 stapled units on 1 May 2020	427	130
275,870 stapled units on 4 May 2020	435	133
225,664 stapled units on 5 May 2020	358	110
	1,220	**373**

Options

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

Securities issued in the Group

All securities were all issued during the current year as disclosed in Note 12.

Number of interests on issue

As at 30 June 2020, the number of securities on issue in the Group was 57,469,436.

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

As at 30 June 2020 related parties of the Responsible Entity held securities in the Group, as detailed in Note 22 to the financial statements.

Fees, commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 22 to the financial statements.

Significant changes in state of affairs

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

Likely developments and expected results of operations

The Group will continue to invest in digital infrastructure assets and seek to actively manage a diversified portfolio of investments as outlined in the Product Disclosure Statements (PDS) dated 1 October 2019 and 21 February 2020.

Events subsequent to balance date

Since balance date the Group has bought back and cancelled 410,465 securities at a cost of $669,110.

In July 2020, the Group has entered into a $20 million loan facility with Bankwest secured against the Malaga data centre.

On 28 August 2020, the Group has disposed of FibreconX Pty Ltd at market value of $2,010,706 to a wholly owned subsidiary of the 360 Capital Group.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental Issues

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

Indemnification and insurance of Directors and Officers

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

Indemnification and insurance of Auditors

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

Non-audit services

Disclosed in Note 20 were the non-audit services provided by the Group'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 8 and forms part of the Responsible Entity's report for the year ended 30 June 2020.

Rounding of amounts

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

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

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

Sydney
31 August 2020

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

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

Auditor's Independence Declaration to the Directors of 360 Capital FM Limited as the Responsible Entity of 360 Capital Digital Infrastructure Fund and 360 Capital Digital Infrastructure Fund 2

As lead auditor for the audit of the financial report of 360 Capital Digital Infrastructure Fund and 360 Capital Digital Infrastructure Fund 2 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 Digital Infrastructure Fund and 360 Capital Digital Infrastructure Fund 2 and the entities they controlled during the financial year.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
31 August 2020

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

	Note	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Revenue from continuing operations			
Rental from investment properties	6	1,930	-
Finance revenue		324	28
Total revenue from continuing operations		**2,254**	**28**
Other income			
Net gain on fair value of derecognition of financial assets	9	4,543	-
Realised foreign exchange gains		920	-
Unrealised foreign exchange gains		144	-
Total other income		**5,607**	**-**
Total revenue from continuing operations and other income		**7,861**	**28**
Investment property expenses	6	29	-
Administration expenses		364	105
Management fees	22	808	94
Employee benefits expense	3	446	446
Transaction costs		296	295
Finance expenses		61	-
Net loss on fair value of investment properties	6	2,024	-
Profit/(loss) from continuing operations before tax		**3,833**	**(912)**
Income tax benefit	4	(216)	(216)
Profit/(loss) for the year		**4,049**	**(696)**
Total comprehensive income/(loss) for the year		**4,049**	**(696)**
Total comprehensive income/(loss) attributable to:			
Securityholders of 360 Capital Digital Infrastructure Fund		4,745	-
Securityholders of 360 Capital Digital Infrastructure Fund 2		(692)	(692)
Profit/(loss) attributable to stapled securityholders		**4,053**	**(692)**
External non-controlling interest		(4)	(4)
Profit/(loss) for the year		**4,049**	**(696)**
Earnings per stapled security for profit/(loss) after tax attributable to the stapled securityholders of 360 Capital Digital Infrastructure Fund		**cents**	**cents**
Basic and diluted earnings per security	21	**9.1**	**(1.2)**

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

360 Capital Digital Infrastructure Fund
Consolidated statement of financial position
As at 30 June 2020

	Note	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Current assets			
Cash and cash equivalents	13	66,287	33,356
Receivables	5	190	76
Total current assets		**66,477**	**33,432**
Non-current assets			
Financial assets at fair value through profit or loss	9	7,935	-
Property, plant and equipment	7	601	601
Intangible assets	8	319	319
Investment properties	6	37,000	-
Deferred tax asset	10	216	216
Total non-current assets		**46,071**	**1,136**
Total assets		**112,548**	**34,569**
Current liabilities			
Trade and other payables	11	171	158
Distribution payable		3,161	-
Provisions		31	31
Total current liabilities		**3,363**	**189**
Total liabilities		**3,363**	**189**
Net assets		**109,185**	**34,380**
Equity			
Issued capital – 360CDIF units	12	75,842	-
Issued capital – 360CDIF2 units	12	34,577	34,577
Security based payment reserve		187	187
Accumulated losses		(1,729)	(692)
Total equity attributable to stapled securityholders		**108,877**	**34,072**
External non-controlling interests		308	308
Total equity		**109,185**	**34,380**

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

360 Capital Digital Infrastructure Fund
Consolidated statement of changes in equity
For the year ended 30 June 2020

GROUP

	Note	Issued capital $'000	Security based payment reserve $'000	Accumulated losses $'000	Total equity attributable to Securityholders $'000	External Non Controlling Interest $'000	Total equity $'000
Balance at 2 July 2019		-	-	-	**-**	-	**-**
Total comprehensive income/(loss) for the year		-	-	4,053	**4,053**	(4)	**4,049**
Transactions with Securityholders in their capacity as Securityholders							
Issued securities	12	149,950	-	-	**149,950**	310	**150,260**
Security buy back	12	(1,220)	-	-	**(1,220)**	-	**(1,220)**
Security based payment transactions		-	187	-	**187**	2	**189**
Equity raising transaction costs	12	(3,361)	-	-	**(3,361)**	-	**(3,361)**
Distributions	2	(34,950)		(5,782)	**(40,732)**	-	**(40,732)**
		110,419	187	(5,782)	**104,824**	312	**105,136**
Balance at 30 June 2020		**110,419**	**187**	**(1,729)**	**108,877**	**308**	**109,185**

360CDIF2

	Note	Issued capital $'000	Security based payment reserve $'000	Accumulated losses $'000	Total equity attributable to Securityholders $'000	External Non Controlling Interest $'000	Total equity $'000
Balance at 2 July 2019		-	-	-	**-**	-	**-**
Total comprehensive income/(loss) for the year		-	-	(692)	**(692)**	(4)	**(696)**
Transactions with Securityholders in their capacity as Securityholders							
Issued securities	12	34,950	-	-	**34,950**	310	**35,260**
Security buy back	12	(373)	-	-	**(373)**	-	**(373)**
Security based payment transactions		-	187	-	**187**	2	**189**
		34,577	187	-	**34,764**	312	**35,076**
Balance at 30 June 2020		**34,577**	**187**	**(692)**	**34,072**	**308**	**34,380**

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

360 Capital Digital Infrastructure Fund
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Cash flows from operating activities			
Cash receipts from customers (inclusive GST)		1,911	-
Cash payments to suppliers (inclusive of GST)		(1,605)	(521)
Finance revenue		324	28
Finance expense		(61)	-
Net cash inflows/(outflows) from operating activities	13 (b)	**569**	**(493)**
Cash flows from investing activities			
Payment for investment properties		(39,024)	-
Payments for property, plant and equipment		(486)	(486)
Payments for intangible assets		(319)	(319)
Payment for financial assets		(18,517)	-
Proceeds from redemption of financial assets		16,189	-
Net cash outflows from investing activities		**(42,157)**	**(805)**
Cash flows from financing activities			
Proceeds from borrowings		52,186	-
Repayment of borrowings		(52,186)	-
Proceeds from issue of capital		115,000	34,950
Proceeds from issue of capital to non-controlling interests		373	373
Payment of transaction costs to issue capital		(3,656)	(295)
Payments for buyback of stapled securities		(1,221)	(374)
Distributions paid to stapled securityholders		(2,621)	-
Net cash inflows from financing activities		**107,875**	**34,654**
Net increase in cash and cash equivalents		66,287	33,356
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year	13 (a)	**66,287**	**33,356**

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

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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 and the 360CDIF2.

Note 1: Segment reporting

The Group invests solely in the digital infrastructure sector with a global mandate.

The Chief Operating Decision Maker being, 360 Capital Digital Management Pty Limited the Investment Manager of the Group, monitors the performance and results of the Group at a total Group level, as a result the Group has only one segment. Operating profit is a financial measure which is not prescribed by AAS and represents the profit under AAS adjusted for non-operating items which management consider to reflect the core earnings of the Group and is used as a guide to assess the Group's ability to pay distributions to unitholders.

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Profit/(loss) attributable to securityholders of the Group	**4,053**	**(692)**
Non-operating items		
Net loss on fair value of investment properties	2,024	-
Security based payments expense	126	126
Transactional costs	295	295
Unrealised foreign currency gains	(144)	-
Operating profit/(loss) (before non-operating items)	**6,354**	**(271)**
Weighted average number of securities ('000)	44,634	57,817
Operating profit/(loss) per security (before non-operating items) (EPS) – cents	**14.2**	**(0.5)**

Note 2: Distributions

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
March 2020 quarterly distribution 4.5 cps paid on 25 April 2020	2,621	-
June 2020 quarterly distribution 5.5 cps paid on 28 July 2020	3,161	-
	5,782	-

On 17 March 2020 the Group implemented the stapling of the Group as part of the stapling of the 360CDIF to the 360CDIF2, which was capitalised through the payment of the special distribution of 60.0 cents per unit from the 360CDIF and the compulsory reinvestment as capital in the 360CDIF2 of 60.0 cents per unit, which equated to approximately $35.0 million.

Note 3: Employee benefits expense

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Wages and salaries	861	861
Employer superannuation contributions	19	19
Security based payments expense	126	126
Employee benefits expense capitalised to non-current assets	(560)	(560)
	446	**446**

Employee benefits expense solely related to FibreconX Pty Ltd (FibreconX). On 18 March 2020 FibreconX implemented an Employee Security Plan (ESP) for management. Employees were granted 7,603,040 options subject to vesting conditions over a 4 to 6 year period. The fair value of the issue of securities under the ESP has been determined by an independent Actuary using a Black-Scholes option pricing model. The Group has recognised $0.1 million of security based payment expense in the statement of profit or loss. Further information on the ESP and the fair value calculation is provided in Note 12(c).

Note 4: Income tax expense

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Profit/(loss) before tax attributable to stapled securityholders	**3,833**	**(912)**
Income tax expense/(benefit) at the effective corporate rate of 27.5%	1,054	(251)
Increase/(decrease) in income tax expense due to:		
Trust income exempt from income tax	(1,525)	-
Unrealised foreign exchange gains	(40)	-
Equity raising costs	(201)	-
Impairment of investment property	557	-
Tax depreciation on investment property	(118)	-
Security based payment expense	35	35
Other tax adjustments	22	-
Income tax benefit recognised in the statement of profit or loss	**(216)**	**(216)**

360CDIF should not be liable for income tax as its taxable income and was fully distributed to securityholder this year. 360CDIF2 commenced trading activities through its control of FibreconX and as a result is likely to be liable to pay income tax in the future.

Note 5: Receivables

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Current		
Trade and GST receivables	160	52
Prepayments	4	4
Other receivables	26	21
Total	**190**	77

Note 6: Investment properties

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Non-current		
Investment properties at fair value	37,000	-
Total	**37,000**	-

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Balance at 2 July	-	-
Investment properties acquired including transaction costs	39,024	-
Fair value adjustments of investment properties	(2,024)	-
Closing balance	**37,000**	-

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Rental from investment properties	1,930	-
Investment property expenses	(29)	-
Profit arising from investment properties carried at fair value	**1,901**	-

All rent on the investment property has continued to be paid current and in full during the COVID-19 pandemic.

The Group's investment property is a data centre in Perth, Western Australia. The fair value of the investment property is determined by the Directors by reference to the most recent independent valuation for that property, updated to take into account any changes in valuation factors. An independent valuation was carried out on the property on 31 March 2020 by CBRE, a specialist in valuing these types of investment properties. Refer below for more details on fair value of investment properties.

Note 6: Investment properties (continued)

a) Valuation basis

Investment properties are carried at fair value. Fair value of the properties is determined by the Directors, having regard to the most recent independent valuations prepared by valuers with appropriately recognised professional qualification and recent experience in the location and category of the property being valued. 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. As discounted cash flow and capitalisation rate use unobservable inputs, the investment property is categorised as Level 3 under the Fair Value Hierarchy. These inputs include net passing rent, gross market rent and net market rent as set out in the sensitivity matrix below.

Market sales comparison: The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales, activity adjustments are made from previous comparable sales to reflect changes in economic conditions.

Discounted cash flow: Projections derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space are discounted at a rate to arrive at a value. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property absolute to returns from alternative investments, CPI rates and liquidity risk. It is assumed that the property is sold at the end of the investment period at terminal value. The terminal value is determined by using an appropriate capitalisation rate.

Capitalisation rate: An assessment is made of fully leased net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased net income is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments, including incentives, capitalised expenditure and reversions to market rent are made to arrive at the property value.

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 value may change significantly and unexpectedly over a relatively short period of time. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. Two property valuation approaches are generally used: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

- forecast future rental income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;
- lease assumptions based on current and expected future market conditions after expiry of any current lease;
- the capitalisation rate and discount rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows;
- the impact of government support on tenants and rental schemes giving rise to rental deferrals, rental forgiveness, and eviction moratoriums.

Note 6: Investment properties (continued)

b) Sensitivity Matrix

Inputs	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to decrease in input
Net passing rent	Increase	Decrease
Gross market rent	Increase	Decrease
Net market rent	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

Capitalisation and discount rates are considered significant Level 3 inputs. The $37.0 million valuation of the data centre in Perth is based on a capitalisation rate of 5.9% and a discount rate of 7.0%.

Refer to Note 16 for further information on the fair value hierarchy.

Net passing rent is the contracted amount for which a property or space within a property is leased. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

Gross market rent is the estimated total amount for which a tenancy within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgably, prudently and without compulsion.

Net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).

c) Highest and best use
For all investment properties, the current use equates to the highest and best use.

d) Leases as lessor
The investment property is leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of the investment properties not recognised in the financial statements are receivable as follows:

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
No later than 12 months	2,393	-
Between 12 months and five years	9,572	-
Greater than five years	688	-
	12,653	-

Note 7: Property, plant and equipment

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Non-current		
Construction in progress	601	601
Total	**601**	**601**

As at 30 June 2020, the Group had commenced construction on a dark fibre network around Sydney. Total carrying value at year end reflects the total capitalized cost of the construction to date.

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Balance at 2 July	-	-
Construction in progress	601	601
Closing balance	**601**	**601**

Note 8: Intangible assets

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Non-current		
Software	319	319
Total	**319**	**319**

As at 30 June 2020, the Group had commenced but not completed the implementation of software to support the dark fibre network being constructed around Sydney. Total carrying value at year end reflects the total capitalized cost of the software to date.

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Balance at 2 July	-	-
Software	319	319
Closing balance	**319**	**319**

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Non-current		
Shares in unlisted company	7,935	-
	7,935	-

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Balance at 2 July	-	-
Financial assets acquired – unlisted shares	7,791	-
Convertible note funded	10,727	-
Convertible note redeemed	(16,189)	-
Fair value adjustment on derecognition of financial assets	4,543	-
Realised foreign exchange gains on financial assets	920	-
Unrealised foreign exchange adjustments on financial assets	144	-
Closing balance	**7,935**	**-**

Note 10: Deferred tax assets and liabilities

	Group 30 June 2019 $'000	360CDIF2 30 June 2020 $'000
Deferred tax assets comprises temporary differences attributable to:		
Accrued expenses and provisions	17	17
Equity raising costs	65	65
Tax losses	134	134
Net deferred tax asset	**216**	**216**

Note 10: Deferred tax assets and liabilities (continued)

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Balance at 2 July	-	-
Recognition and reversal of timing differences	82	82
Tax losses	134	134
Closing balance	**216**	**216**
Net deferred tax assets expected to reverse within 12 months	-	-
Net deferred tax assets expected to reverse after more than 12 months	216	216
	216	**216**

For further information on recognition of deferred tax balances (refer to Note 24).

Note 11: Trade and other payables

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Current		
Related party loan payable	-	9
Accruals	171	149
Total	**171**	**158**

Note 12: Equity

(a) Issued capital

	Group 30 June 2020 000's	360CDIF2 30 June 2020 000's
360 Capital Digital Infrastructure Fund - Ordinary units issued	57,469	-
360 Capital Digital Infrastructure Fund 2 - Ordinary units issued	57,469	57,469
	$'000	**$'000**
360 Capital Digital Infrastructure Fund - Ordinary units issued	75,842	-
360 Capital Digital Infrastructure Fund 2 - Ordinary units issued	34,577	34,577
Total issued capital	**110,419**	**34,577**

Note 12: Equity (continued)

(b) Movements in issued capital

Movement during the year in the number of issued units of the Group was as follows:

	Group 30 June 2020 000's	360CDIF2 30 June 2020 000's
Opening balance at 2 July	-	-
Units issued 2 July 2019	12,875	-
Units issued 17 September 2019	12,875	-
Units issued 31 October 2019	32,500	-
Units issued 17 March 2020	-	58,250
Shares bought back and cancelled	(781)	(781)
Closing balance	**57,469**	**57,469**

Movement during the year in the value of issued units of the Group was as follows:

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Opening balance at 2 July	-	-
Units issued 2 July 2019	25,000	-
Units issued 17 September 2019	25,000	-
Units issued 31 October 2019	65,000	-
Units issued 17 March 2020	-	34,950
Shares bought back and cancelled	(1,220)	(373)
Transaction costs incurred in issuing capital	(3,361)	-
Closing balance	**110,419**	**34,577**

(c) FibreconX Pty Ltd employee security plan

On 18 March 2020 7,603,040 options over shares of FibreconX Pty Ltd were issued to employees of FibreconX Pty Ltd under the FibreconX ESP. The purchase price of the options ranged from nil to $0.062 per option. The vesting period ranged from 4 to 6 years. The strike price of the options ranged from $1.00 to $1.67 per share. The fair value of the options at issue date was assessed by an independent Actuary to be between $0.24 to $0.35per option based on a Black-Scholes option pricing model.

(d) Stapling arrangement

On 17 March 2020 the Group implemented the stapling of the Group as part of the stapling of the 360CDIF to the 360CDIF2, which was capitalised through the payment of the special distribution of 60.0 cents per unit from the 360CDIF and the compulsory reinvestment as capital in the 360CDIF2 of 60.0 cents per unit, which equated to approximately $35.0 million.

Note 13: Cash flow information

(a) Reconciliation of cash and cash equivalents

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Cash at bank	66,287	33,356
Cash and cash equivalents in the statement of cash flows	**66,287**	**33,356**

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

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Net profit/(loss) for the year	**4,049**	**(696)**
Adjustment for:		
Net loss on fair value of investment properties	2,024	-
Net gain on fair value of derecognition of financial assets	(4,543)	-
Foreign currency gains	(1,064)	-
Security based payment expense	126	126
Transaction costs	296	295
Change in assets and liabilities		
Increase in receivables	(190)	(77)
Increase in deferred taxes	(216)	(216)
Increase in provisions	31	31
Increase in payables	56	44
Net cash inflows/(outflows) from operating activities	**569**	**(493)**

Risk

This section of the notes discusses the Group and the 360CDIF2's exposure to various risks and shows how these could affect the consolidated entities' financial positions and performances.

Note 14: Basis of preparation

a) Reporting entity

The financial report of 360 Capital Digital Infrastructure Fund (the Group or Fund or consolidated entity) comprises the consolidated financial statements of 360 Capital Digital Infrastructure Fund (360CDIF) and its controlled entities and 360 Capital Digital Infrastructure Fund 2 (360CDIF2) and its controlled entities. A 360 Capital Digital Infrastructure Fund stapled security comprises one 360 Capital Digital Infrastructure Fund unit stapled to one 360 Capital Digital Infrastructure Fund 2 unit to create a single listed entity traded on the ASX. The stapled security cannot be traded or dealt with separately.

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, issued by the Australian Securities and Investments Commission (ASIC), this financial report is a combined report that represents the consolidated financial statement and accompanying notes of both the Group (as defined above) and 360CDIF2 (as defined above).

The Responsible Entity of the Group is 360 Capital FM Limited. The registered office and the principal place of business is Level 8, 56 Pitt Street, Sydney NSW 2000 Australia. The nature of operations and principal activities of the Group are disclosed in the Responsible Entity's report.

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

The principal accounting policies adopted in the preparation of the financial report are set out in Note 24.

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 by the International Accounting Standards Board.

c) Basis of preparation

360 Capital Digital Infrastructure Fund and its consolidated entities and 360 Capital Digital Infrastructure Fund 2 and its consolidated entities are for-profit entities for the purpose of preparing the financial report.

The financial report has been prepared on accruals basis and on the historical cost basis except for financial assets, investment properties and financial liabilities, which are stated at their fair value. The accounting policies set out in Note 24 have been applied consistently to all periods presented in this financial report.

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

The financial report is presented in Australian dollars.

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

Note 14: Basis of preparation (continued)

d) Critical judgements and significant accounting estimates

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

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

The critical accounting estimates, judgements and assumptions have required additional analysis due to the COVID-19 pandemic. Given the effects of the COVID-19 global pandemic continue to unfold and the ultimate impact 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 24(j).The fair value assessment of the investment property includes the best estimate of the impacts of the COVID-19 pandemic using information available at the balance sheet date.

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 Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The fair value assessment of these assets include the best estimate of the impacts of the COVID-19 pandemic using information available at the balance sheet date.

Control of entities
The Group has consolidated the financial results of entities it is deemed to control under AASB10 *Consolidated Financial Statements*. Critical judgements are made by the Group to determine whether control exists, principally around the criteria which must be met (refer to Note 24(a)). Further information on Controlled Entities is included in Note 17.

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.

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

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

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

Note 15: Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to securityholder, return capital to securityholder, issue new units, purchase the Group's own units, or sell assets to reduce debt. During the year the Group has bought back and cancelled securities as disclosed in Note 12.

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

Note 16: Other financial assets and liabilities

Overview
The Group and 360CDIF2's activities expose them to various types of financial risks including credit risk, liquidity risk, and market risk. The Responsible Entity's Board of Directors 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 Group and 360CDIF2, 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 Group and 360CDIF2's activities.

The nature and extent of the financial instruments and the risk management policies employed by the Group and 360CDIF2 are discussed below.

Credit risk
Credit risk is the risk of financial loss to the Group and 360CDFI2 if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and 360CDFI2 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.

	Group 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Cash and cash equivalents	66,287	33,356
Receivables	190	77
Financial assets at fair value through profit or loss	7,935	-
Total	**74,412**	**33,433**

The Group and 360CDIF2 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.

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 Group and 360CDIF2'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.

Interest rate risk
The Group and 360CDIF2's interest rate risk arises from cash balances. Cash earns interest at variable interest rates and expose the Group and 360CDIF2 to cash flow interest rate risk.

Note 16: Other financial assets and liabilities (continued)

The Group and 360CDIF2's exposure to interest rate risk by maturity period is:

GROUP	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	66,287		-	-	-	66,287
Receivables	-	-	-	-	190	190
Financial assets at FVTPL	-	-	-	-	7,935	7,935
Total financial assets	**66,287**	**-**	**-**	**-**	**8,125**	**74,412**
Financial liabilities						
Trade and other payables	-	-	-	-	171	171
Distributions payable	-	-	-	-	3,161	3,161
Total financial liabilities	**-**	**-**	**-**	**-**	**3,332**	**3,332**
Net financial assets	**66,287**	**-**	**-**	**-**	**4,793**	**71,080**

360CDIF2	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	33,356		-	-	-	33,356
Receivables	-	-	-	-	77	77
Total financial assets	**33,356**	**-**	**-**	**-**	**77**	**33,433**
Financial liabilities						
Trade and other payables	-	-	-	-	158	158
Total financial liabilities	**-**	**-**	**-**	**-**	**158**	**158**
Net financial assets/(liabilities)	**33,356**	**-**	**-**	**-**	**(81)**	**33,275**

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 Group and 360CDIF2's profit.

GROUP		**Change in interest rate**	
		-1%	**1%**
	Carrying amount	**Profit**	**Profit**
	$'000	**$'000**	**$'000**
30 June 2020			
Financial assets			
Cash and cash equivalents	66,287	(663)	663
Total (decrease) increase		**(663)**	**663**

360CDIF2		**Change in interest rate**	
		-1%	**1%**
	Carrying amount	**Profit**	**Profit**
	$'000	**$'000**	**$'000**
30 June 2020			
Financial assets			
Cash and cash equivalents	33,356	(334)	334
Total (decrease) increase		**(334)**	**334**

Foreign exchange risk

The Group's foreign exchange rate risk arises from overseas investments. Some investments are denominated in foreign currencies and expose the Group to foreign exchange rate risk.

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

GROUP		**Change in exchange rate**	
		-1%	**1%**
	Carrying amount	**Profit**	**Profit**
	$'000	**$'000**	**$'000**
US Dollars			
30 June 2020			
Financial assets	7,935	(79)	79
Total (decrease) increase		**(79)**	**79**

Note 16: Other financial assets and liabilities (continued)

Equity price risk
The Group's manages its equity price risk through the Board reviewing and approving all equity investment decisions.

The table below illustrates the potential impact a change in unlisted equity price by +/-1% would have had on the Group's profit.

GROUP		Change in equity price	
		-1%	1%
	Carrying amount	Profit	Profit
	$'000	$'000	$'000
30 June 2020			
Financial assets	7,935	(79)	79
Total (decrease) increase		**(79)**	**79**

Liquidity risk
Liquidity risk is the risk that the Group and 360CDIF2 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 Group and 360CDIF2's reputation.

The Group and 360CDIF2 monitor their 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):

GROUP	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	171	171	171	-	-
Distribution payable	3,161	3,161	3,161		
	3,332	**3,332**	**3,332**	**-**	**-**

360CDIF2	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	158	158	158	-	-
	158	**158**	**158**	**-**	**-**

Note 16: Other financial assets and liabilities (continued)

Fair values
The fair value of the Group and 360CDIF2's financial assets and liabilities are approximately equal to that of their carrying values as at 30 June 2020.

A reconciliation of movements in financial assets at fair value through profit or loss is included in Note 9.

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 Group 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.

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

	Total	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss as at 30 June 2020	**7,935**	**-**	**-**	7,935

There were no transfers between levels during the year. Fair value hierarchy levels are reviewed on an annual basis unless there is a significant change in circumstances indicating that the classification may have changed.

Valuation techniques

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

Fund Structure

This section of the notes provides information which will help users understand how the fund structure affects the financial position and performance of the Group and 360CDIF2.

Note 17: Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries controlled by 360 Capital Digital Infrastructure Fund:

Name of entity	Country of Domicile	Class of units/shares	360CDIF Equity Holding (%) 30 June 2020	360CDIF2 Equity Holding (%) 30 June 2020
360 Capital Digital Infrastructure No. 1	Australia	Ordinary	100	-
360 Capital Digital Infrastructure No. 2	Australia	Ordinary	-	100
360 CDIP Malaga Trust	Australia	Ordinary	100	-
360 CDIP Guam Pty Ltd	Australia	Ordinary	100	-
360 CDIP Bluegum Trust	Australia	Ordinary	100	-
FibreconX Pty Ltd	Australia	Ordinary	-	99

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 18: Commitments and contingent liabilities

<u>Commitments</u>
As at 30 June 2020, the Group and 360CDIF2 had the same contractual commitments in place for the construction of FibreconX's dark fibre network amounting to $3,701,036.

<u>Contingent liabilities</u>
As at 30 June 2020, the Group had no contingent liabilities.

Note 19: Events subsequent to balance date

Since balance date the Group has bought back and cancelled 410,465 securities at a cost of $669,110.

In July 2020, the Group has entered into a $20 million loan facility with Bankwest secured against the Malaga data centre.

On 28 August 2020, the Group has disposed of FibreconX Pty Ltd at fair market value of $2,010,706 to a wholly owned subsidiary of the 360 Capital Group.

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 Group, the results of those operations, or the state of affairs of the Group 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 20: Auditors' remuneration

	Group 30 June 2020 $	360CDIF2 30 June 2020 $
Audit services		
Fees for auditing the statutory financial reports of the parent and its controlled entities	55,000	13,750
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	40,000	-
Non-audit services		
Taxation compliance services	7,500	3,750
Taxation advisory services	89,800	9,800
Transaction advisory services	30,000	-
Other services	10,500	10,500
Total Fees to Ernst & Young Australia	**232,800**	**37,800**

Note 21: Earnings per security

	Group 30 June 2020 ¢	360CDIF2 30 June 2020 ¢
Basic and diluted earnings per security	9.1	(1.2)
	$'000	**$'000**
Basic and diluted earnings		
Profit/(loss) attributable to securityholders of 360 Capital Digital Infrastructure Fund used in calculating earnings per security	4,053	(692)
	000's	**000's**
Weighted average number of securities used as a denominator		
Weighted average number of securities – basic and diluted	44,634	57,817

Note 22: Related party transactions

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

Investment manager
The Investment Manager of the Group is 360 Capital Digital Management Pty Limited (ABN 58 632 422 916), a joint venture between 360 Capital Property Limited and Mr David Yuile.

Responsible Entity and Investment Manager's fees and other transactions
The Responsible Entity and Investment Manager are entitled to receive management fees under the terms of the constitution, investment manager agreement and in accordance with the product disclosure statement.

	Group 30 June 2020 $	360CDIF2 30 June 2020 $
Fees for the year paid/payable by the Group:		
Responsible entity management fees	38,118	5,725
Investment manager fees	769,640	88,517
Group recoveries charged through administration expenses	103,914	4,241
	911,672	**98,483**

Responsible Entity Management Fee
The Responsible Entity is entitled to a Management Fee of 0.05% p.a. of the gross value of the assets of the Group during the relevant period for its role in managing and administering the Group.

Investment Management Fee
The Investment Manager is entitled to a Management Fee of 1.0% p.a. of the gross value of the assets of the Group during the relevant period for its role in managing and administering the Group.

Performance Fee
The Investment Manager is entitled to a Performance Fee calculated and paid every 3 years and in certain other circumstances. The performance fee is equal to:

- To the extent that the Group IRR is more than 10% but no more than 12%, the amount which if included in the Group outflow on the calculation date would reduce the Group IRR to 10%;
- Where the Group achieves an IRR of greater than 12%
    - an amount which if included in the Group outflow on the calculation date represents the difference between 10% Group IRR and 12% Group IRR; plus
    - 20% of the amount which if included as a Group outflow on the calculation date would reduce the Group IRR to 12%.

Note 22: Related party transactions (continued)

Security holdings

Securities held by the Responsible Entity and other funds managed by and related to the Responsible Entity held securities in the Group as follows:

	Group 30 June 2020	360CDIF2 30 June 2020
360 Capital DIP Trust		
Number of securities held	21,761,811	21,761,811
Interest % held	37.9%	37.9%
Distribution paid/payable by the Group ($)	217,618	-

Securities held by directors of the Responsible Entity and Investment Manager are as follows:

	Held at 2 July 2019	Acquisition	Disposal	Held at 30 June 2020
Responsible Entity				
David van Aanholt	-	38,108	-	38,108
William Ballhausen	-	20,000	-	20,000
Graham Lenzner	-	51,500	-	51,500
Andrew Moffat	-	25,000	-	25,000
Tony Pitt	-	50,000	-	50,000
Investment Manager				
David Yuile	-	429,557	-	429,557
	-	614,165	-	614,165

All securities acquired have been on an arm's length basis.

Borrowings
Whilst the Group was a wholly owned entity within the stapled 360 Capital Group (ASX: TGP), the Group borrowed, in total, short term non-interest bearing loans amounting to $44,685,968 from TGP, which were fully repaid by 17 September 2019.

On 24 September 2019, the Group borrowed $7,500,000 from a wholly owned entity of the stapled 360 Capital Group. The loan was repayable after 9 years and had an interest rate of 8% per annum. The loan was fully repaid on 31 October 2019 including interest of $60,822.

360CDIF2 has received a loan from 360CDIF which relates to the charging of shared costs between the two stapled entities. The balance of the loan at 30 June 2020 is $9,210. This loan is non-interest bearing and at call.

Other transactions
On 17 March 2020 the Group implemented the stapling of the Group as part of the stapling of the 360CDIF to the 360CDIF2, which was capitalised through the payment of the special distribution of 60.0 cents per unit from the 360CDIF and the compulsory reinvestment as capital in the 360CDIF2 of 60.0 cents per unit, which equated to approximately $35.0 million.

Note 23: Parent entity disclosures

The following details information relating to the parent entities of Group (360 Capital Digital Infrastructure Fund) and 360CDIF2 (360 Capital Digital Infrastructure Fund 2). The information presented below has been prepared using the consistent accounting policies as presented in Note 24.

	360CDIF 30 June 2020 $'000	360CDIF2 30 June 2020 $'000
Current assets	21,889	32,178
Non-current assets	57,676	2,124
Total assets	**79,565**	34,302
Current liabilities	3,172	25
Non-current liabilities	-	-
Total liabilities	**3,172**	25
Issued units	75,977	34,577
Retained earnings/(Accumulated losses)	415	(299)
Total equity	**76,393**	**34,277**
Net profit/(loss) for the year	6,197	(299)
Total comprehensive profit/(loss) for the year attributable to securityholders	**6,197**	**(299)**

Note 24: Significant accounting policies

a) Basis of consolidation

Controlled entities
The consolidated financial statements of the Group incorporate the assets and liabilities of all controlled entities of the Group as at 30 June 2020 and the results of all controlled entities for the period then ended. The consolidated financial statements of the 360CDIF2 incorporate the assets and liabilities of all controlled entities of the 360CDIF2 as at 30 June 2020 and the results of all controlled entities for the period then ended.

Controlled entities are entities controlled by the Group or 360CDIF2. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

b) Segment reporting

Segment information is presented in respect of the Group and 360CDIF2'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 Group's management and internal reporting structure.

Operating segments are determined based on the information which is regularly reviewed by 360 Capital Digital Management Pty Limited the Investment Manager of the Group, who is the Chief Operating Decision Maker within the Group.

c) Revenue recognition

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

Rental income from investment properties
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.

Finance revenue
Interest income is recognised on a time proportion basis using the effective interest method. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

d) Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised as current provisions in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled beyond 12 months are discounted back to their net present value.

Share-based payments
Employees of controlled entities of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Refer to Note 12(c) for further detail.

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

360CDIF
Under current Australian income tax legislation, the 360CDIF is generally not liable for income tax provided their taxable income and taxable capital gains are fully distributed to unitholders each year. In the circumstances where a managed investment trust undertakes certain trading activities that trust may be liable to pay income tax.

360CDIF2
360CDIF2 is subject to income tax as it currently controls an active trading business. Income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction and deferred tax expense calculated by reference to changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

f) Income tax (continued)

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

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

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

g) 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.

h) Receivables

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.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

i) Financial instruments

Classification
Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets measured at fair value through profit or loss
A financial asset is measured at fair value through profit or loss if:

i. its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
ii. it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
iii. at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
iv. an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment- linked insurance funds, and the entity elects to measure investments in those associates and joint ventures at fair value through profit or loss.

i) Financial instruments (continued)

b) Financial assets measured at fair value through other comprehensive income
A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by collecting the contractual cash flows as well as selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets measured at amortised cost
A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

a) Financial liabilities measured at amortised cost
This category includes all financial liabilities that will subsequently be measured at amortised cost. The Group includes short-term payables in this category.

Recognition and derecognition
The Group recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligations under the liabilities are discharged.

When the terms of an existing financial asset or liability are substantially modified, such a modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability. The new asset or liability is measure at fair value, with any difference in the respective carrying amounts recognised in the statement of profit or loss.

Initial measurement
Financial assets and financial liabilities held at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair value plus/minus any directly attributable incremental costs of acquisition or issue.

Subsequent measurement
After initial measurement, the Group measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in the statement of profit or loss.

Financial assets and liabilities, other than those classified as at fair value through profit or loss, are subsequently measured using the effective interest method and financial assets are subject to impairment. Gains and losses are recognised in profit or loss when the asset or liability is derecognised, modified or impaired.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price without any deduction for transaction costs.

i) Financial instruments (continued)

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

Fair value hierarchy
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
ii. Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
iii. Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Impairment
At each reporting date, the Group shall measure the loss allowance on financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that credit loss has increased significantly. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

j) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a valuation performed by an accredited external independent valuer.

k) Property, plant and equipment

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less, where applicable, accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset.

l) Intangible assets

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life. The capitalised software asset is subject to impairment testing on an annual basis. Amortisation of computer software programmes and impairments, where applicable, is recognised in other operating expenses.

Cost incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

m) Trade and other payables

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

Distributions
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.

n) Provisions

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

o) Issued capital

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

p) 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.

q) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as net foreign exchange gains/(losses) in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value.

r) Accounting standards issued but not yet effective

The Company has not applied Australian Accounting Standards and IFRS that were issued or amended but not yet effective. Key standards, shown below, are not expected to have a material impact on the financial statements:

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

In the opinion of the Directors of 360 Capital FM Limited:

1) The consolidated financial statements and notes of 360 Capital Digital Infrastructure Fund and its controlled entities and the consolidated financial statements and notes of 360 Capital Digital Infrastructure Fund 2 and its controlled entities that are set out on pages 15 to 42 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entities' financial positions as at 30 June 2020 and of their performances 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 360 Capital Digital Infrastructure Fund and 360 Capital Digital Infrastructure Fund 2 will be able to pay their debts as and when they become due and payable.

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

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

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

David van Aanholt
Chairman

Tony Robert Pitt
Managing Director

Sydney
31 August 2020

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working world

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

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

Independent Auditor's Report to the Stapled Security Holders of 360 Capital Digital Infrastructure Group

Report on the Audit of the Financial Report

Opinion

We have audited the financial report 360 Capital Digital Infrastructure Group (the Group) which comprises 360 Capital Digital Infrastructure Fund and its controlled entities and 360 Capital Digital Infrastructure Fund 2 and its controlled entities, 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 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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Valuation of Investment property

Why significant	How our audit addressed the key audit matter

The Group's total assets include a direct investment in a single investment property valued at $37m at 30 June 2020. The property is carried at fair value, which is assessed by the directors with reference to an external independent property valuation.
 	
As disclosed in note 6, the valuation of investment properties is inherently subjective. A small difference in any one of the key market input assumptions, could result in a significant change to the valuation of the investment property.
 	
The Income Capitalisation approach and the Discounted Cash Flow approach have been used to arrive at a range of valuation outcomes, from which the valuer derived their best estimate of the value at a point in time.
 	
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 value may change significantly and unexpectedly over a relatively short period of time.
 	
Given the market conditions at the valuation date, the independent valuer has reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in the property valuation and the market conditions at 30 June 2020.
 	
We have, therefore, considered this a key audit matter due to the number of judgments required in determining fair value. For the same reasons we consider it important that attention is drawn to the information in Notes 6 in assessing the property valuation at 30 June 2020.
	The valuation of investment property is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2020 has resulted in a wider range of possible values than at past valuation points.
	
	Our audit procedures included the following:
	▸ We discussed the following matters with management:
	  ▸ changes in the condition of the property since the date of the external valuation at 30 March 2020 to 30 June 2020;
	  ▸ the impact that COVID-19 has had on the Group's investment property including whether there has been any impact on tenants that would influence the assumptions adopted in the property valuation.
	▸ We performed the following procedures for the investment property valuation:
	  ▸ Evaluated the key assumptions and agreed current rental levels to the tenancy schedule. These assumptions and inputs included market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure.
	  ▸ Assessed whether COVID-19 rent relief had been provided to tenants and, if so, had been factored into the valuation and that changes in tenant occupancy risk were also considered.
	  ▸ Tested the mathematical accuracy of the valuation.
	  ▸ We considered the report of the independent valuer to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rate and future forecast rentals.
	  ▸ We have assessed whether the valuation that was prepared at 30 March 2020 remains appropriate for 30 June 2020. We involved our real estate valuation specialists to assist us in making this assessment.

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Why significant	How our audit addressed the key audit matter
	‣ Assessed the qualifications, competence and objectivity of the valuer ‣ We have considered whether there have been any indicators of material changes in the property value from 30 June 2020 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. ‣ We have considered whether the financial report disclosures and in particular those relating to the valuation uncertainty are appropriate.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

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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.

- 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.

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

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

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
31 August 2020

Information below was prepared as at 20 August 2020.

a) Top 20 registered securityholders:

Holder Name	Securities held	% of issued securities
360 CAPITAL FM LIMITED	12,875,001	22.56
360 CAPITAL FM LIMITED <360 CAPITAL DIP A/C>	8,886,810	15.57
NATIONAL NOMINEES LIMITED	3,779,757	6.62
CITICORP NOMINEES PTY LIMITED	1,708,808	2.99
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,183,252	2.07
J & H MACCULLOCH PTY LTD<J & H MACCULLOCH A/C>	864,416	1.51
PERPETUAL TRUSTEE COMPANY LTD	772,500	1.35
LILY INVESTMENTS PTY LTD	500,000	0.88
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	491,722	0.86
INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVESTMENT FUND A/C>	430,000	0.75
MR DAVID STUART YUILE & MRS CAROLE YUILE <FOURYS A/C>	427,557	0.75
ABBAWOOD NOMINEES PTY LTD <ABBOTT FAMILY S/F NO 1 A/C>	325,000	0.57
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	313,320	0.55
RAHALI INVESTMENTS PTY LTD <RAHALI SUPER FUND A/C>	257,891	0.45
PARAMON HOLDINGS PTY LTD <PARAMON A/C>	257,500	0.45
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	240,608	0.42
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	224,000	0.39
MR IVAN YING SIN SING	200,000	0.35
MELBYKRAM PTY LTD <MELBYKRAM SUPER FUND A/C>	170,000	0.30
MR PHILIP ALAN COLLINS	161,108	0.28
Total Securities held by Top 20 security holders	**34,069,250**	**59.71**
Total Securities on issue	**57,058,971**	**100.00**

b) Distribution of securityholders:

Number of securities held by securityholder	Number of holders	Securities held	% of issued securities
1 to 1,000	180	118,651	0.21
1,001 to 5,000	873	2,704,461	4.74
5,001 to 10,000	466	3,653,350	6.40
10,001 to 100,000	590	15,279,534	26.78
100,001 and over	30	35,302,975	61.87
Totals	**2,139**	**57,058,971**	100.00

The total number of securityholders with less than a marketable parcel was 20 and they hold 2,728 securities.

c) Substantial securityholder notices:

Name of securityholder	Date of notice	Securities held	% of issued securities
360 Capital FM Limited as trustee for 360 Capital DIP Trust	31/10/19	21,761,811	37.4%

Term	Definition
$ or A$ or cents	Australian currency
360 Capital Digital Infrastructure Fund, 360CDIF	The managed investment scheme (ARSN 635 566 531) that represents part of the stapled entity, 360 Capital Digital Infrastructure Fund
360 Capital Digital Infrastructure Fund 2, 360CDIF2	The managed investment scheme (ARSN 638 320 420) that represents part of the stapled entity, 360 Capital Digital Infrastructure Fund
The Group, 360 Capital Digital Infrastructure Fund	360 Capital Digital Infrastructure Fund (ASX: TDI), the stapled entity comprising 360 Capital Total Digital Infrastructure Fund and 360 Capital Digital Infrastructure Fund 2
AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the market operated by it as the context requires
ASX Guidelines	The ASX Principles of Good Corporate Governance and Best Practice Guidelines
Board	Board of Directors of the Responsible Entity
CGT	Capital gains tax
Constitution	The constitution of the Group, as amended
Consolidated entity	360 Capital Digital Infrastructure Fund (ASX: TDI), the stapled entity comprising 360 Capital Total Digital Infrastructure Fund and 360 Capital Digital Infrastructure Fund 2
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
CPI	Consumer price index
Cps	Cents per Security
Director/s	A director of the Responsible Entity
Distribution yield	Rate of return derived by dividing distribution per Unit by the price
Earnings yield	Rate of return derived by dividing earnings per Unit by the price
AFCA	Australian Financial Complaints Authority
Fund Investment Committee	The committee established to oversee the Group's investments, key recruitment and policies
FY	Financial year (1 July to 30 June)
Gross Proceeds	The aggregate of all moneys (including all rent, licence fees, outgoings and all other amounts) received from tenants and other occupants and users of the real property assets (held directly or indirectly) of the Group
GST	Goods and services tax (Australia)
HY	Half Year (half year from 1 July to 31 December or 1 January to 30 June)
IFRS	International Financial Reporting Standards
NPI	Net property income
NTA	Net tangible assets as per the balance sheet
NTA per Security	Net tangible assets divided by the number of Securities on issue
Operating earnings	Operating earnings is statutory net profit adjusted for non-operating items
p.a.	Per annum
Responsible Entity	360 Capital FM Limited (ABN 15 090 664 396, AFSL 221474)
YTD	Year to date

Parent Entity
360 Capital Digital Infrastructure Fund
ARSN 635 566 531

Directors & Officers
Non-Executive Directors
David van Aanholt (Chairman)
William John Ballhausen
Graham Ephraim Lenzner
Andrew Graeme Moffat

Executive Director
Tony Robert Pitt (Managing Director)

Officers
David Yuile – Managing Director of Investment Manager
Glenn Butterworth – Chief Financial Officer and Joint Company Secretary
Kimberley Child – Joint Company Secretary

Responsible Entity
360 Capital FM Limited
ACN 090 664 396
AFSL 221 474
Level 8, 56 Pitt Street Sydney NSW 2000
Telephone 02 8405 8860 Email: investor.relations@360capital.com.au

Unit Registry
Boardroom Pty Limited
ACN 003 209 836
Grosvenor Place, Level 12, 255 George Street Sydney NSW 2000
Telephone 1300 082 130 Email: enquiries@boardroomlimited.com.au

Auditor
Ernst & Young
200 George Street Sydney NSW 2000

Website
www.360capital.com.au

360 Capital