Abacus Storage Operations Limited

ABN 37 112 457 075

Financial Report

For the year ended
30 June 2022

ANNUAL FINANCIAL REPORT

30 June 2022

Directory

Abacus Storage Operations Limited
ABN: 37 112 457 075

Registered Office:
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264-278 George Street
SYDNEY NSW 2000
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Website: www.abacusproperty.com.au

Directors:
Myra Salkinder Chair
Steven Sewell, Managing Director
Trent Alston
Mark Bloom
Mark Haberlin
Holly Kramer
Jingmin Qian

Company Secretary:
Rebecca Pierro

Auditor (Financial and Compliance Plan):
Ernst & Young
200 George Street
SYDNEY NSW 2000

Share Registry:
Boardroom Pty Ltd
Level 12, 225 George St
SYDNEY NSW 2000
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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Property Group, Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust and Abacus Storage Property Trust as at 30 June 2022. It is also recommended that the report be considered together with any public announcements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

DIRECTORS' REPORT

30 June 2022

The Directors present their report together with the consolidated financial report of Abacus Storage Operations Limited ("ASOL") and the auditor's report thereon.

PRINCIPAL ACTIVITIES

The Company operates predominantly in Australia and its principal activities during the course of the year ended 30 June 2022 included the operation of self storage facilities in Australia and New Zealand.

CORPORATE STRUCTURE

Listed Structure / Entities

ASOL is a stapled entity of Abacus Property Group ("Abacus" or "the Group") which is a member of the S&P/ASX 200 A-REIT index (ASX:XPJ), a sub-index of the S&P/ASX 200 index that contains the listed vehicles classified as A-REITs.

Abacus comprises Abacus Group Holdings Limited ("AGHL"), Abacus Trust ("AT"), Abacus Group Projects Limited ("AGPL"), Abacus Income Trust ("AIT"), Abacus Storage Operations Limited and Abacus Storage Property Trust ("ASPT"). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt without the others. An Abacus security consists of one share in AGHL, one unit in AT, one share in AGPL, one unit in AIT, one share in ASOL and one unit in ASPT. A transfer, issue or reorganisation of a share or unit in any of the component parts requires while they continue to be stapled, a corresponding transfer, issue or reorganisation of a share or unit in each of the other component parts.

ASOL is incorporated and domiciled in Australia.

OPERATING AND FINANCIAL REVIEW

The operating and financial review is intended to convey the Directors' perspective of ASOL and its operational and financial performance. It sets out information to assist shareholders to understand and interpret the financial statements included in this report prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"), as issued by the AASB and IASB respectively. It should be read in conjunction with the financial statements and accompanying notes.

OUR STRATEGY

ASOL's objective is to provide shareholders with dividends from actively managing and operating self storage facilities. ASOL is committed to growing its business of managing and operating self storage facilities owned by the Company as well as self storage facilities leased from ASPT. ASOL does this through acquisition diversification and active management of self storage assets. In particular we:

- Focus on our specialised knowledge, repositioning capability and market insight.
- Continue to strategically invest in assets in all major markets with a clear path to sustainable income growth.
- Drive value through active management of the asset portfolio.

COMPANY RESULTS SUMMARY

The Company earned a net profit of $42.1 million for the year ended 30 June 2022 (2021: $28.9 million). The Company's statutory net profit compared to the prior period was principally due to the increase in rental income from opening of new operational sites.

DIRECTORS' REPORT

30 June 2022

OPERATING AND FINANCIAL REVIEW (continued)

COMPANY RESULTS SUMMARY (continued)

Total property assets at 30 June 2022 were $346.6 million (2021: $289.7 million). The property portfolio was revalued during the year ended 30 June 2022 which resulted in a revaluation loss of $28.9 million (2021: $23.5 million loss).

The impact of both year-end fair value adjustments and the Company's performance on its financial position were as follows:

	2022	2021
Total assets ($ million)	558.8	410.2
Net assets ($ million)	240.5	176.0

The increase in net assets of the Company by 36.7% reflects capital raised during the year and the improved performance compared to the previous year. The increase in total assets of the company by 36.2% with an increase in the right of use assets (AASB 16). During the period, the Company maintained full control of the self storage management business of Storage King.

Capital management

In March 2022, Abacus completed a fully underwritten institutional placement of 59.2 million new ordinary stapled securities at an issue price of $3.38 per stapled security which raised $200.0 million. A Security Purchase Plan ("SPP") was also offered to eligible securityholders to apply for up to $30,000 of new securities at $3.38 per stapled security which raised a further $3.3 million.

In April 2022, Abacus successfully negotiated and agreed terms on over $2 billion of syndicated and bilateral banking facilities as well as extending all facility tranches by a further 12 months. Facility pricing was further improved and below the Group's weighted average cost of debt.

At 30 June 2022 the Group's balance sheet remains strong with gearing levels at 28.7%, well within the Board's target gearing limit of 35%, with approximately $400 million of available liquidity that provides capacity to take advantage of accretive opportunities as they arise.

With broader market volatility, it is expected that both the lag effects of inflationary pressures and higher interest rates will continue through the 2023 financial year.

The Group is well positioned to manage the challenges in the coming year with a strong defensive self storage and commercial property portfolio and being 76.1% hedged at 30 June 2022 (2021: 46.5%).

It is anticipated that the weighted average cost of debt over the next year should be approximately 2.75% as current capacity is utilised.

PROPERTY RESULTS SUMMARY

Properties operated by ASOL delivered rental income of $141.7 million for the year (2021: $95.8 million). This represented an increase of 47.9%. The self storage portfolio equated to $346.6 million which is made up of 100 leasehold assets and 3 freehold assets.

Property portfolio

- $346.6 million of properties across the total assets (2021: $289.7 million)
- Portfolio capitalisation rate: 5.25% (2021: 5.75%)
- Portfolio occupancy: 90.16% (2021: 90.09%)

ASOL is focused on maintaining revenue and cash flows to support shareholder dividends but nevertheless being conscious of the market's leasing requirements and competitive offerings.

DIRECTORS' REPORT
30 June 2022

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS

ASOL has continued its strategic direction giving prominence to key sectors where the Company believes it has a clear competitive advantage. ASOL's future capital allocation framework will focus upon continuing to increase its exposure to the self storage sector.

This strategy will target acquiring well-located properties that will be held for the long term. Increasing exposure to these asset classes will enhance ASOL's ability to grow recurring revenue.

ASOL continues to hold appropriate levels of liquidity to enable it to pursue its strategy and to take advantage of any short-term volatility in the market which is anticipated in this fluctuating macro-economic environment. This liquidity can also potentially be further leveraged to invest in a larger number of projects through joint venture arrangements.

Funds from operations should continue to increase. Growth in revenue through further acquisitions will be driven or limited by ASOL's ability to access new opportunities that deliver the Company's required equity returns in desired markets.

RISK MANAGEMENT APPROACH

ASOL has a structured approach to the management of its risks, where:

- Risk management principles and techniques are incorporated into all business processes.
- Decisions are made within a defined and approved risk appetite that do not expose ASOL to unacceptable levels of financial, compliance and other risks that may adversely impact its strategic growth plan.
- ASOL's resources, people, financial and capital resources, knowledge, and reputation are safeguarded.
- A risk culture is embedded where all employees accept responsibility for risk management

All risks are assessed and managed on a continual basis, where risks are measured, escalated, and reported in accordance with ASOL's Risk Management Framework. This Risk Management Framework is applied across all business activities, so as to identify material risks, and to apply effective controls that are designed and operated to prevent risks from materialising. These controls are evaluated and tested on a periodic basis so as to assess their effectiveness in mitigating risks.

Risk Management Three Lines of Defence

ASOL has adopted a Three Lines of Defence model. Each of these three lines has a distinct role in the governance and oversight of Risk Management.

DIRECTORS' REPORT

30 June 2022

OPERATING AND FINANCIAL REVIEW (continued)

RISK MANAGEMENT APPROACH (continued)

Risk Appetite

ASOL has a defined Board approved Risk Appetite that is responsive to changing operational conditions and opportunities. It is designed to guide management when making material business decisions and monitoring risks. ASOL's Risk Appetite defines the risks it is prepared to take and the circumstances in which they will be taken. It articulates qualitatively the tolerance to relevant Risk Categories.

ASOL KEY RISK AREAS

The table below outlines some of ASOL's key risk areas. The outline is not exhaustive, and performance may be affected adversely by any of these risks and other factors. The table also describes some of the key management actions being taken to ensure such risks are brought within appetite.

Risk area	How ASOL manages this risk
Strategic Risk ASOL has a defined strategy that focuses on opportunities across key sectors where the Group believes it has a clear competitive advantage. ASOL's activities and transactions are aligned with the approved strategy so to ensure that financial and operational results are within expected and planned outcomes.	ASOL has a number of processes and controls to ensure the strategic direction of the Group is maintained. Some of the key aspects include active Committees that review and approve significant transactions, and where appropriate external reviews utilising appointed specialists. ASOL also has asset performance evaluation processes embedded with reporting lines in place.
Governance Risk ASOL's success in its business model is reliant on an effective and balanced governance approach to people, conduct, and processes through oversight, controls, checks, and subject matter experts. This ensures that ASOL can effectively respond to market opportunities when they present.	ASOL has a number of governance controls and processes implemented across the Group, with some aspects including monitoring, reporting, and training in respect of conduct, staff skills, and processes. ASOL also has controls and processes in place over key decisions, transactions, acquisitions, and disposals of assets.
Regulatory and Compliance Risk ASOL is responsive to regulatory change and strives to operate in accordance with its regulatory and legal obligations. ASOL develops responsive strategies to ensure ongoing compliance of its activities.	ASOL has a number of controls and arrangements in place to ensure compliance with its legal and regulatory obligations. Some aspects include monitoring, testing, and reviewing through dedicated compliance plans, which are also subject to external review. ASOL promotes awareness and delivers training to all employees in respect of key obligations so to instil a proactive risk and compliance culture.
Operational Risk – operational systems ASOL's operational systems are developed and implemented with operational controls embedded to ensure best practice and the opportunity for ongoing success.	ASOL has a number of controls and processes in place to ensure assets and tenancies are maintained to the required standard and in accordance with documented asset management protocols. ASOL also maintains adequate insurance coverage across all assets.

DIRECTORS' REPORT

30 June 2022

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS AND RISKS (continued)

Risk area	How ASOL manages this risk
Operational Risk – Cyber and Information Technology Technology is rapidly changing, and ASOL aims to leverage technology and innovation to enhance the customer experience while developing responsive strategies to prevent cyber incidents and attacks.	ASOL has a number of controls, arrangements, and recovery plans in place over information and technology assets, as well as active monitoring of its digital footprint. ASOL also develops strategies to continue to incorporate technological innovations into assets.
Operational Risk – Health and Safety Ensuring the health, safety and wellbeing of ASOL's people is of utmost importance to the success of its strategy.	ASOL has a number of controls and processes in place to achieve a safe workplace through the implementation of its Work, Health and Safety Strategy. ASOL has arrangements and controls in place to ensure that safety risks, hazards, and incidents are reported and addressed, and that assets have embedded systems and processes to ensure safe operation.
Operational Risk – People and Culture The motivation, high-performance and capability of ASOL's people are integral to the success of its business outcomes.	ASOL has a number of controls, processes, and strategies in place to ensure people recruited are aligned to ASOL's culture and are continually developed. ASOL also regularly monitors and maintains a positive workplace culture in line with its values.
Environmental and Sustainability Risk Climate change is expected to affect ASOL's assets while also presenting an opportunity to prepare for and build resilience across its portfolio. ASOL is responding to climate change while also aiming to meet the expectations of its present and future customers as well as communities.	ASOL has developed and implemented a number of controls and strategies to ensure that environmental issues are incorporated into decision-making process when acquiring assets and as part of the ongoing management of each asset. ASOL has established sustainability targets and metrics that are actively monitored as part of ASOL's commitment to a sustainable future. ASOL has developed strategies to enhance the environmental performance of assets including energy and water efficiency, greenhouse gas emissions reduction and waste to landfill reduction.
Market and Investment Risk ASOL incorporates appropriate oversight and controls over key decisions in acquisitions, disposals, capital management, and valuations so to ensure the best risk adjusted returns are achieved.	ASOL has a number of controls and processes in place that reviews and approves significant transactions. In addition, other aspects include controls in place over capital planning, forecasting, budgeting, and development activities.
Liquidity, Capital Management, and Financial Performance and Reporting Risk ASOL maintains a diversified capital structure to support stable investor returns as well as appropriate access to equity and debt funding.	ASOL has a number of controls and processes in place over capital management to monitor, manage and stress test interest rate, funding, liquidity, and credit risk with regular reporting to the Board and internal Committees. ASOL has documented policies and operational procedures with controls embedded over material risks as well as external advisory in place over treasury activities. ASOL also maintains effective relationships with a range of banks and access to alternate funders.

DIRECTORS' REPORT
30 June 2022

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shares with a total issue price of $23.0 million were issued during the year under the distribution reinvestment plan and capital raising. The contributed equity of the Company at 30 June 2022 increased to $84.1 million from $61.1 million.

DIVIDENDS

There were no dividends paid by the Company during the year ended 30 June 2022 (June 2021: Nil).

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue strategies that seek to improve profitability and market share of its activities during the coming year. In the opinion of the Directors, disclosure of any further information on future developments and results than is already disclosed in this report or the financial statements would be unreasonably prejudicial to the interests of the Company.

DIRECTORS AND SECRETARY

The Directors of ASOL in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Myra Salkinder	Chair (Non-executive)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director
Mark Bloom	Non-executive Director
Mark Haberlin	Non-executive Director (Lead Independent)
Holly Kramer	Non-executive Director
Jingmin Qian	Non-executive Director

The qualifications, experience and special responsibilities of the Directors and Company Secretary are as follows:

Myra Salkinder MBA, BA — Chair (non-executive)

Myra is a Non Independent, Non-Executive Director and is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of the Kirsh Group's property and other investments, both in South Africa, Australia and internationally. Myra is a director of various companies associated with the Kirsh Group worldwide.

Myra is a member of the Sustainability & WHS Committee.

Tenure: 11 years

Steven Sewell BSc — Managing Director

Steven joined Abacus in October 2017 bringing over 20 years' experience in real estate funds management, asset management, equity and debt capital markets and M&A transactions. Steven's prior career experience is across various real estate sectors, and importantly provides a valuable insight and connection to institutional investors, the whole Group's business and investment strategies, capital allocation and developing third party capital relationships. Steven was appointed Managing Director elect in January 2018 and appointed to the role permanently in April 2018.

Tenure: 4 years 2 months

DIRECTORS' REPORT

30 June 2022

DIRECTORS AND SECRETARY (Continued)

Trent Alston B. Build. (Hons), GMQ - AGSM, AMP – Insead, GAICD

Trent is a Non-Executive Director and has over 30 years of experience in the real estate and funds management industry with the last 13 years as Head of Real Estate for Challenger Limited. His past experience includes direct and wholesale property roles at Colonial First State Property and Lendlease. Trent is also a Non-Executive Director of Landcom and Stone & Chalk.

Trent is Chair of the People Performance Committee and a member of the Audit & Risk Committee.

Tenure: 2 year 9 months

Mark Bloom BCom, B.Acc, CA

Mark is a Non-Executive Director and joined the Board on 1 July 2022. Mark had an extensive 36 year career as a Finance Executive in Australia, Canada and South Africa, with his most recent role as Chief Financial Officer at Scentre Group up until April 2019, having previously served as Deputy Group CFO at Westfield Group. He acts as a consultant to Calculator Australia Pty Limited. Mark is also a Non-Executive Director of AGL Energy Limited and Pacific Smiles Group Limited.

Mark is a member of the People Performance Committee.

Tenure: 1 year

Mark Haberlin BSc (Eng) Hons, FCA

Mark is a Non-Executive Director and is Lead Independent Director. He has significant expertise in fields that cover accounting and audit, capital transactions, mergers and acquisitions and risk management in the real estate and financial services sectors. Mark was a partner at PwC for 24 years where he developed key accounting and audit experience. Mark was a member of the PwC Governance Board and completed his last two years as Chair. Mark is also a Non-Executive Director of Laybuy Holdings Limited and Australian Clinical Labs.

Mark is Chair of the Audit & Risk Committee and a member of the People Performance Committee.

Tenure: 3 years 7 months

Holly Kramer BA Econ, MBA

Holly is a Non-Executive Director and brings a significant range of skills and expertise, including executive leadership and management positions in product, marketing and sales. She was CEO of apparel retailer Best & Less and held executive roles at Pacific Brands, Telstra and Ford Motor Company (in Australia and the US.) Holly is currently a Non-Executive Director of the Woolworths Group, Fonterra Co-operative Group, Endeavour Group, The Ethics Centre and the GO (Goodes-O'Loughlin) Foundation. Holly is also a Pro Chancellor at Western Sydney University and a member of the Bain Advisory Council. Previous roles include Deputy Chair at Australia Post (November 2015 to June 2021) and Non-Executive Director at AMP Limited (October 2015 to May 2018.)

Holly is a member of the People Performance and Compliance & Sustainability & WHS Committee.

Tenure: 3 years 6 months

Jingmin Qian CFA, BCe, MBA, FAICD

Jingmin, is a Non-Executive Director and has significant expertise in the property, infrastructure and investment sectors as well as rich experience in Asia, a director of Jing Meridian and specialises in advising boards and senior management on investment, strategic management and cross-cultural management. Jingmin has served as a member of the business liaison program of the Reserve Bank of Australia. Jingmin is a Non-Executive Director of IPH Limited, a director of Club Plus Super, a member of Macquarie University Council, a director of the Australia China Business Council and Chair of the Foundation for Australian Studies in China.

Jingmin is Chair of the Sustainability & WHS Committee and a member of the Audit & Risk Committee.

Tenure: 5 years

DIRECTORS' REPORT

30 June 2022

DIRECTORS AND SECRETARY (continued)

Robert Baulderstone BA, CA, FCIS   Company Secretary (resigned October 2021) and Chief Financial Officer

Mr Baulderstone has held the role of Company Secretary since February 2017 to October 2021. He has been a chartered accountant for over 30 years.

Rebecca Pierro BCom, FGIA   Company Secretary (effective October 2021)

Ms Pierro was appointed as Company Secretary, effective from 20 October 2021. She has been a Company Secretary for over 10 years. She holds a Bachelor of Commerce and is a Fellow of the Governance Institute of Australia.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of Abacus, held during the year and the number of meetings attended by each director were as follows:

	Board		Audit & Risk Committee		People Performance Committee		Sustainability & WHS Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Salkinder	10	10	2	2	2	2	4	4	1	1
S Sewell	10	10	-	-	-	-	-	-	1	1
T Alston	10	10	4	4	3	3	-	-	1	1
M Bloom	10	10	2	1	1	1	-	-	-	-
M Haberlin	10	9	4	4	3	3	-	-	1	1
H Kramer	10	10	-	-	3	3	4	4	1	1
J Qian	10	10	4	4	-	-	4	4	1	1

Indemnification and Insurance of Directors and Officers

The Company has paid an insurance premium in respect of a contract insuring all directors, full time executive officers and the secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

DIRECTORS' REPORT

30 June 2022

DIRECTORS AND SECRETARY (continued)

Indemnification of Auditors

To the extent permitted by law, the Company 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) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

EVENTS AFTER BALANCE DATE

Other than as disclosed already in this report, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Company's operations in future financial periods, the results of those operations or the Company's state of affairs in future financial periods.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is subject to significant environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Company's environmental responsibilities and compliance with the various licence requirements and regulations. No material breaches of requirements or any environmental issues have been identified during the year. The Company endeavours to choose sustainable options whenever that is a cost-effective outcome.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 9.

ROUNDING

The amounts contained in this report and in the annual financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the group under ASIC Corporations Instrument 2016/191. The group is an entity to which the class instrument applies.

Signed in accordance with a resolution of the directors.
Abacus Storage Operations Limited (ABN 37 112 457 075)

Myra Salkindar
Chair
Sydney, 16 August 2022

Steven Sewell
Managing Director

Ernst & Young
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Auditor's independence declaration to the directors of Abacus Storage Operations Limited

As lead auditor for the audit of the financial report of Abacus Storage Operations Limited for the financial year 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit

This declaration is in respect of Abacus Storage Operations Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
Sydney
16 August 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
REVENUE			
Rental income		141,722	95,822
Finance income		2,064	794
Fee Income		15,900	9,639
Merchandising income		10,182	8,457
Total Revenue		**169,868**	**114,712**
OTHER INCOME			
Net change in fair value of investments held at balance date		-	5,735
Net change in fair value of property, plant and equipment derecognised		8	4
Total Revenue and Other Income		**169,876**	**120,451**
Share of profit from equity accounted investments	5	-	(433)
Net change in fair value of investment properties held at balance date	4	(28,908)	(23,523)
Operating expenses		(33,774)	(22,656)
Management, license and supervision fees		(14)	(5,960)
Depreciation, amortisation and impairment expense		(4,464)	(2,339)
Finance costs		(4,630)	(6,209)
Administrative and other expenses	2	(37,347)	(20,849)
PROFIT BEFORE TAX		**60,739**	**38,482**
Income tax expense	3(a)	(18,667)	(9,578)
NET PROFIT AFTER TAX		**42,072**	**28,904**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation adjustments, net of tax		(512)	(99)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**41,560**	**28,805**
Basic and diluted earnings per share (cents)	1	**4.97**	**3.90**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	38,033	16,019
Trade and other receivables		6,727	2,537
Other		3,126	1,157
TOTAL CURRENT ASSETS		**47,886**	**19,713**
NON-CURRENT ASSETS			
Loans		61,446	-
Other receivables		9,658	7,989
Investment properties	4	346,604	289,726
Property, plant and equipment	13	20,212	19,239
Intangible assets and goodwill	17	72,953	73,562
TOTAL NON-CURRENT ASSETS		**510,873**	**390,516**
TOTAL ASSETS		**558,759**	**410,229**
CURRENT LIABILITIES			
Trade and other payables		25,842	16,948
Income tax payable		2,808	149
Lease liabilities	14	81,109	50,238
Other		3,404	2,259
TOTAL CURRENT LIABILITIES		**113,163**	**69,594**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	8(a)	58,848	15,280
Deferred tax liabilities	3(c)	44,310	31,946
Lease liabilities	14	100,388	116,130
Other		1,540	1,288
TOTAL NON-CURRENT LIABILITIES		**205,086**	**164,644**
TOTAL LIABILITIES		**318,249**	**234,238**
NET ASSETS		**240,510**	**175,991**

	Notes	2022 $'000	2021 $'000
EQUITY			
Contributed equity	10	84,059	61,100
Reserves		(577)	(65)
Retained earnings		157,028	114,956
TOTAL EQUITY		**240,510**	**175,991**

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		166,500	117,407
Interest received		1,562	794
Income tax paid		(3,548)	(2,970)
Finance costs paid		(4,669)	(6,286)
Operating payments		(73,372)	(49,203)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	**86,473**	**59,742**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		-	(46,395)
Payments for investments and funds advanced		(60,943)	-
Purchase of property, plant and equipment		(3,305)	(6,602)
Disposal of property, plant and equipment		8	4
Purchase of investment properties		(410)	(1,692)
Payment for other investments		(1,684)	(8)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(66,334)**	**(54,693)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from issue of shares		19,313	21,367
Payment of issue costs		(416)	(229)
Repayment of principal portion of lease liabilities		(64,423)	(45,152)
Proceeds from borrowings		47,545	6,988
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**2,019**	**(17,026)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		22,158	(11,977)
Net foreign exchange differences		(144)	(75)
Cash and cash equivalents at beginning of year		16,019	28,071
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**38,033**	**16,019**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2022

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2021	61,100	(65)	114,956	175,991
Other comprehensive income	-	(512)	-	(512)
Net income for the year	-	-	42,072	42,072
Total comprehensive income for the year	**-**	**(512)**	**42,072**	**41,560**
Equity raisings	19,313	-	-	19,313
Issue costs	(291)	-	-	(291)
Distribution reinvestment plan	3,937	-	-	3,937
At 30 June 2022	**84,059**	**(577)**	**157,028**	**240,510**

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2020	34,953	34	86,052	121,039
Other comprehensive income	-	(99)	-	(99)
Net income for the year	-	-	28,904	28,904
Total comprehensive income for the year	**-**	**(99)**	**28,904**	**28,805**
Equity raisings	21,367	-	-	21,367
Issue costs	(79)	-	-	(79)
Distribution reinvestment plan	4,859	-	-	4,859
At 30 June 2021	**61,100**	**(65)**	**114,956**	**175,991**

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30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2022

Abacus Storage Operations Limited ("ASOL" or the "Company") is a member of the Abacus Property Group ("ASOL" or "the Group") which is comprised of Abacus Group Holdings Limited ("AGHL"), Abacus Trust ("AT"), Abacus Group Projects Limited ("AGPL"), Abacus Income Trust ("AIT") Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL"). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that neither can be dealt with without the other. The securities trade as one security on the Australian Stock Exchange (the "ASX") under the code ABP.

The financial report of the Company for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 16 August 2022.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from these judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Valuation of investment properties and property, plant and equipment held at fair value

The Company makes judgements in respect of the fair value of investment properties (note 18(m)) and property, plant and equipment (note 18(l)). The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices.

The property valuations have been prepared based on the information that is available at 30 June 2022. In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Company's investment property portfolio in the future.

Impairment of goodwill and intangible assets

The Company determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangible assets are allocated. For goodwill and intangible assets this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangible assets are discussed in note 17.

NOTES TO THE FINANCIAL STATEMENTS – Segment Information
30 JUNE 2022

The Company operates in Australasia and management considers that the Company has a single reportable segment which includes rental and merchandising income from storage facilities. The revenue received from external customers for services was:

	2022 $'000	2021 $'000
Rental income	141,722	95,822
Finance income	2,064	794
Fee income	15,900	9,639
Merchandising income	10,182	8,457
Total revenue from external customers	**169,868**	**114,712**

Major customers

The company has a number of customers to which it provides services. There is no single customer that accounts for greater than 5% of external revenue.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

1. EARNINGS PER SHARE

	2022	2021
Basic and diluted earnings per share (cents)	4.97	3.90
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit ($'000)	**42,072**	**28,904**
Weighted average number of shares:		
Weighted average number of shares for basic earnings per share ('000)	846,260	741,130

2. EXPENSES

	2022 $'000	2021 $'000
Administrative and other expenses		
Wages and salaries	27,412	13,632
Contributions to defined contribution plans	2,369	1,172
Other expenses	7,566	6,045
Total administrative and other expenses	**37,347**	**20,849**

3. INCOME TAX

	2022 $'000	2021 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	6,250	3,329
Adjustments in respect of current income tax of previous years	(16)	8
Deferred income tax		
Movement in depreciable assets tax depreciation	116	129
Relating to origination and reversal of temporary differences	12,317	6,112
Income tax expense reported in the income statement	**18,667**	**9,578**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

3. INCOME TAX (continued)

	2022	2021
	$'000	$'000
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before income tax expense	60,739	38,482
Prima facie income tax expense calculated at 30% (AU)	17,234	10,621
Prima facie income tax expense calculated at 28% (NZ)	1,000	862
Prima Facie income tax of entities subject to income tax	18,234	11,483
Foreign tax rate adjustment	(187)	7
Adjustment of prior year tax applied	(16)	7
Fair value of associate	-	(1,862)
Other items (net)	636	(57)
Income tax expense reported in the income statement	**18,667**	**9,578**
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June 2022 relates to the following:		
Deferred tax liabilities		
Revaluation of investment properties at fair value	33,984	21,581
Branding	9,489	9,489
Other	2,139	2,004
Gross deferred income tax liabilities	45,612	33,074
Set off against deferred tax assets	(1,302)	(1,128)
Net deferred income tax liabilities	**44,310**	**31,946**
Deferred tax assets		
Provisions - other	12	86
Provisions - employee entitlements	1,091	839
Losses available for offset against future taxable income	-	56
Other	199	147
Gross deferred income tax assets	1,302	1,128
Set off of deferred tax liabilities	(1,302)	(1,128)
Net deferred income tax assets	**-**	**-**

Tax consolidation

ASOL and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. ASOL is the head entity of the tax consolidated group. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The current and deferred tax amounts are measured in a manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

3. INCOME TAX (continued)

Nature of the tax funding agreement

Members of the respective tax consolidated groups have entered into tax funding agreements. The tax funding agreements require payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount allocated under the tax funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions.

The amounts receivable or payable under the tax funding agreements are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

4. INVESTMENT PROPERTIES

	2022 $'000	2021 $'000
Right-of-use property assets	181,496	166,368
Freehold investment properties	165,108	123,358
Total investment properties	**346,604**	**289,726**

Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the period is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in note 9(d):

	Non-current	
Investment properties	**2022 $'000**	**2021 $'000**
Carrying amount at beginning of the financial period	289,726	247,195
Additions and capital expenditure	407	1,621
Additions of right of use assets	86,310	64,487
Net change in fair value of investment properties as at balance date	41,342	22,073
Net change in fair value of right-of-use investment properties as at balance date	(70,250)	(45,593)
Effect of movements in foreign exchange	(931)	(57)
Carrying amount at end of the period	**346,604**	**289,726**

Investment properties are carried at the Directors' determination of fair value. The determination of fair value includes reference to the original acquisition cost together with capital expenditure since acquisition and either the latest full independent valuation, latest independent update or directors' valuation. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

Sensitivity Information

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Adopted capitalisation rate	Decrease	Increase
Rate per unit	Increase	Decrease
Optimal occupancy	Increase	Decrease
Adopted discount rate	Decrease	Increase

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. INVESTMENT PROPERTIES (continued)

The adopted capitalisation rate forms part of the income capitalisation approach.

When calculating the income capitalisation approach, the current storage fee rate have a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the current storage fee rates and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

External valuations are conducted by qualified independent valuers who are appointed by the chief investment office who is also responsible for the Company's internal valuation process. He is assisted by an in-house certified professional valuer, who is experienced in valuing the types of properties in the applicable locations.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle.

All of the investment properties are used as security for secured bank debt outlined in note 8.

The weighted average capitalisation rate for the portfolio is 5.25% (2021: 5.75%)

The current occupancy rate for self storage assets is 90.16% (2021: 90.09%)

The key assumptions and estimates used in the valuations which considered the impact of 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; and

The property valuations have been prepared based on the information that is available at 30 June 2022.

In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Company's investment property portfolio, and the future price achieved if a property is divested. . The potential effect of a decrease / increase in weighted average capitalisation rate of 25 bps on property valuation would have the effect of increasing the fair value by up to $8.3 million or decrease the fair value by $7.5 million respectively.

During the year ended 30 June 2022, 100% of the properties in the portfolio were subject to external valuations (2021: Nil).

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Extract from joint ventures and associates' profit and loss statement

	2022 $'000	2021 $'000
Revenue	-	5,738
Expenses	-	(5,548)
Net profit	**-**	**190**
Abacus' 25% share	-	48
Elimination of upstream transactions	-	(481)
Share of net profit	**-**	**(433)**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

6. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Reconciliation to Statement of Cash Flow		
For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following at 30 June 2022		
Cash at bank and in hand[1]	**38,033**	**16,019**

1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

	2022 $'000	2021 $'000
Net profit	42,072	28,904
Adjustments for:		
Depreciation and amortisation of non-current assets	4,464	2,339
Net change in fair value of investment properties held at balance date	28,908	23,523
Net change in fair value of investments held at balance date	-	(5,735)
Net profit on disposal of property, plant and equipment	(8)	(4)
Share of profit from equity accounted investments	-	433
Decrease in lease liabilities	(6,042)	(432)
Increase in payables	27,441	11,850
Increase in receivables and other assets	(10,362)	(1,136)
Net cash from operating activities	**86,473**	**59,742**

(a) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 13.7 million (2021: 26.4 million) shares were issued with a cash equivalent of $3.9 million (2021: $4.9 million).

7. CAPITAL MANAGEMENT

The Company seeks to manage its capital requirements through a mix of debt and equity funding. It also ensures that Company entities comply with capital and distribution requirements of their constitutions and/or trust deeds, the capital requirements of relevant regulatory authorities and continue to operate as a going concern. The Company also protects its equity in assets by taking out insurance.

The Company (as a member of APG) assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. In addition to tracking actual against budgeted performance, the Company reviews its capital structure to ensure sufficient funds and financing facilities (on a cost effective basis) are available to implement its strategy, that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance (i.e. paid out of underlying profits).

The following strategies are available to the Company (as a member of APG) to manage its capital: issuing new stapled securities, its distribution reinvestment plan, electing to have the distribution reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of its fixed rate swaps and collars, directly purchasing assets in managed funds and joint ventures, or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

In March 2022, Abacus completed a fully underwritten institutional placement of 59.2 million new ordinary stapled securities at an issue price of $3.38 per stapled security which raised $200.0 million. A Security Purchase Plan ("SPP") was also offered to eligible securityholders to apply for up to $30,000 of new securities at $3.38 per stapled security which raised a further $3.3 million.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

8. INTEREST BEARING LOANS AND BORROWINGS

	2022	2021
	$'000	**$'000**
(a) Non-current		
Bank loans - A$	33,843	-
Related party loans - A$	25,005	15,280
	58,848	**15,280**

	2022	2021
	$'000	**$'000**
(b) Maturity profile of current and non-current interest bearing loans		
Due between one and five years	42,876	15,280
Due after five years	15,972	-
	58,848	**15,280**

The Company maintains a range of interest-bearing loans and borrowings. The sources of funding are spread over a number of counterparties and the terms of the instruments are negotiated to achieve a balance between capital availability and cost of debt.

Loans from related parties relate to one fixed rate loan provided by another entity within the Group.

Bank loans are $A denominator and provided at interest rates which are set periodically on a floating basis. The term to maturity is between July 2023 to July 2027. The bank loans are secured by charges over the investment properties and certain property, plant and equipment. None of the bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity 4.4 years.

The Company's weighted average interest rate on non-related borrowings as at 30 June 2022 was 1.97% (2021: Nil)

(c) Financial facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2022	2021
	$'000	**$'000**
Total facilities - bank loans	44,542	-
Facilities used at reporting date - bank loans	(33,843)	-
Facilities unused at reporting date - bank loans	**10,699**	**-**

(d) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	2022	2021
	$'000	**$'000**
Non-current		
First mortgage		
Investment properties	165,400	123,650
Total non-current assets pledged as security	165,400	123,650

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. FINANCIAL INSTRUMENTS

Financial Risk Management

The risks arising from the use of the Company's financial instruments are credit risk, liquidity risk and market risk (interest rate risk, price risk and foreign currency risk).

The Company's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Company. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Primary responsibility for identification and control of financial risks rests with the Treasury Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of interest rate risks and cash flow forecast projections.

The main purpose of the financial instruments used by the Company is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Company also enters into derivative transactions principally interest rate derivatives. The purpose is to manage the interest rate exposure arising from the Company's operations and its sources of finance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the section about this report and note 18 to the financial statements.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations including any adverse economic events such as the COVID-19 pandemic, and arises principally from the Company's receivables from customers and secured property loans.

As noted in the director's report, the Company operates self storage facilities with customers paying on a regular basis. Customers who default are asked to make payment for the arrears and / or are required to vacate their self storage facility.

The receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Credit risk exposures

The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2022	**2021**
	$'000	**$'000**
Receivables[1]	6,727	2,537
Loans	61,446	-
Cash and cash equivalents	38,033	16,019
	106,206	**18,556**

1. Receivables are all on original terms and there is no indication as to non-recoverability.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate and diverse amount of committed credit facilities, the ability to close out market positions and the flexibility to raise funds.

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Company's assessment of liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk (continued)

30 June 2022	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	25,842	25,842	25,842	-	-
Interest bearing loans and borrowings	58,848	72,080	3,961	52,142	15,977
Lease liabilities	181,497	191,360	85,344	95,789	10,227
Total liabilities	**266,187**	**289,282**	**115,147**	**147,931**	**26,204**

30 June 2021	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	16,948	16,948	16,948	-	-
Interest bearing loans and borrowings	15,280	19,525	1,222	18,303	-
Lease liabilities	166,368	175,164	52,918	111,356	10,890
Total liabilities	**198,596**	**211,637**	**71,088**	**129,659**	**10,890**

(c) 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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Company considers its exposure to foreign currency risk as insignificant.

Interest rate risk / Fair value interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to the Company's cash at bank holdings.

The Company's exposure to interest rate risk and the effective weighted average interest rates for each class of financial asset and financial liability are:

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

30 June 2022	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	38,033	-	-	-	-	38,033
Related party loans	-	-	-	61,446	-	61,446
Receivables	-	-	-	-	6,727	6,727
Total financial assets	**38,033**	**-**	**-**	**61,446**	**6,727**	**106,206**
Weighted average interest rate*	0.45%					
Financial liabilities						
Payables	-	-	-	-	25,842	25,842
Interest bearing liabilities - bank	33,843	-	-	-	-	33,843
Lease Liabilities	-	81,109	92,453	7,935	-	181,497
Related party loans	-	-	25,005	-	-	25,005
Total financial liabilities	**33,843**	**81,109**	**117,458**	**7,935**	**25,842**	**266,187**
Weighted average interest rate on drawn bank debt*	1.97%					

30 June 2021	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	16,019	-	-	-	-	16,019
Receivables	-	-	-	-	2,537	2,537
Total financial assets	**16,019**	**-**	**-**	**-**	**2,537**	**18,556**
Weighted average interest rate*	0.00%					
Financial liabilities						
Payables	-	-	-	-	16,948	16,948
Lease Liabilities	-	50,238	107,904	8,226	-	166,368
Related party loans	-	-	15,280	-	-	15,280
Total financial liabilities	**-**	**50,238**	**123,184**	**8,226**	**16,948**	**198,596**

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

The following table is a summary of the interest rate sensitivity analysis:

		AUD			
	Carrying amount	**-1%**		**+1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	38,033	(380)	-	380	-
Financial liabilities	33,843	338	-	(338)	-

		AUD			
	Carrying amount	**-1%**		**+1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	16,019	(160)	-	160	-

(d) Fair Value

The fair value of the Company's financial assets and liabilities are approximately equal to that of their carrying values.

Details of the Company's fair value measurement, valuation technique and inputs are detailed below.

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Investment properties	Level 3	Discounted Cash Flow ("DCF") Direct comparison Income capitalisation method	Discount Rate Net operating income Adopted capitalisation rate Rate per unit Optimal occupancy Adopted discount rate

Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data.

There were no transfers between Levels 1, 2 and 3 during the period.

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Direct comparison	This method directly compares and analyses sales evidence on a rate per unit.
Discounted cash flow method	Under the DCF method, the fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets' or liabilities' life including an exit or terminal value. The DCF method involves the projection of a series of cash flows from the assets or liabilities. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash flow stream associated with the assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

10. CONTRIBUTED EQUITY

(a) Issued shares	2022 $'000	2021 $'000
Shares	84,737	61,487
Issue costs	(678)	(387)
Total contributed equity	84,059	61,100

	Shares	
(b) Movement in shares on issue	**Number 2022 000**	**Number 2021 000**
At beginning of financial year	818,591	653,502
- equity raisings	60,145	138,692
- distribution reinvestment plan	13,693	26,397
Shares on issue at end of financial year	892,429	818,591

11. PARENT ENTITY FINANCIAL INFORMATION

	2022 $'000	2021 $'000
Results of the parent entity		
Profit/(Loss) for the year	3,772	(878)
Total comprehensive income/(loss) for the year	**3,772**	**(878)**
Financial position of the parent entity at year end		
Current assets	40,084	56,557
Total assets	**298,578**	**229,567**
Current liabilities	19,883	10,105
Total liabilities	**194,631**	**152,351**
Net assets	**103,947**	**77,216**
Total equity of the parent entity comprising of:		
Issued capital	84,059	61,100
Retained earnings	19,888	16,116
Total equity	**103,947**	**77,216**

(a) Parent entity contingencies

There are no contingencies with the parent entity as at 30 June 2022 (2021: Nil).

(b) Parent entity capital commitments

There are no capital commitments of the parent entity as at 30 June 2022 (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

12. CONTINGENCIES

At 30 June 2022 the Company had bank guarantees issued but not recognised as liabilities as follows:

	2022 $'000	2021 $'000
Bank guarantees		
- redevelopment of investment properties	38	38
	38	**38**

13. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment classified as Level 3 in accordance with the fair value hierarchy outlined in note 9(d) for the year ended 30 June 2022.

	2022 $'000	2021 $'000
Plant and equipment		
At the beginning of the period, net of accumulated depreciation	19,239	14,357
Additions	3,305	6,917
Effect of movements in foreign exchange	(163)	(20)
Depreciation charge for the period	(2,169)	(2,015)
At the end of the period net of accumulated depreciation	**20,212**	**19,239**
Gross value	30,721	27,644
Accumulated depreciation	(10,509)	(8,405)
Net carrying amount at end of period	**20,212**	**19,239**

The property, plant and equipment are carried at the directors' determination of fair value except held for sale which are measured at the lower of their carrying amount and fair value less costs to sell. The determination of fair value includes reference to the original acquisition cost together with capital expenditure since acquisition and either the latest full independent valuation, latest independent update or directors' valuation. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

14. LEASE LIABILITIES

Company as lessee

The Company has lease contracts for various premises used in its operations. Leases of premises generally have lease terms of 5 years. The Company's obligations under its leases are generally secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022	2021
	$'000	$'000
As at 1 July	166,368	147,530
Additions and modifications	86,301	64,488
Accretion of interest	3,768	5,405
Effect of movements in foreign exchange	(717)	(69)
Payments	(74,223)	(50,986)
At 30 June	**181,497**	**166,368**
Current	81,109	50,238
Non-current	100,388	116,130

The following are the amounts recognised in profit or loss:

	2022	2021
	$'000	$'000
Interest expense on lease liabilities	3,768	5,405
At 30 June	**3,768**	**5,405**

The Company has no lease contracts for premises that contain variable payments, extensions or termination options.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

15. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of the following entities:

	equity interest	
	2022	2021
Entity	%	%
Abacus Storage Operations Limited and its subsidiaries:		
Abacus Storage NZ Operations Pty Limited	100	100
Abacus Storage Solutions Pty Limited	100	100
Abacus Storage Solutions NZ Pty Limited	100	100
Abacus USI C Trust	100	100
Abacus U Stow It A1 Trust	100	100
Abacus U Stow It B1 Trust	100	100
Abacus U Stow It A2 Trust	100	100
Abacus U Stow It B2 Trust	100	100
U Stow It Holdings Limited	100	100
U Stow It Pty Limited	100	100
Abacus SK Pty Limited	100	100
Storage King Corporate Holdings Pty Limited	100	100
Storage King Services Pty Limited	100	100
SK Licensing Pty Limited	100	100
SK (Licensees) Pty Limited	100	100
Storage King Management Pty Limited	100	100
Storage King Store Management Pty Limited	100	100
Storage King Mgmt NZ Limited	100	100
Storage King (Singapore) Pte Limited	100	100
Storage King International Limited	100	100
Storage King Pty Limited	100	100
Storage King NZ Limited	100	100
A.A1 Storage King Pty Limited	100	100

(b) Ultimate parent

ASOL has been designated as the parent entity of the Company.

(c) Key management personnel

Details of key management personnel (“KMP”) are disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

15. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with related parties

	2022 $'000	2021 $'000
Transactions with related parties other than associates and joint ventures		
Revenues		
Interest revenue on loans to related party	2,062	786
Expenses		
Property management fees paid / payable	(1,537)	(1,262)
Interest expense on loans from related party	(436)	(804)
Rent charged by related party	(74,208)	(50,970)
Other transactions		
Loan advanced to related parties	(122,214)	(26,949)
Loan repayments from related parties	57,150	25,727
Loan advanced from related parties	48,001	51,496
Loan repayments to related parties	(38,237)	(49,368)

Terms and conditions of transactions

Interests and fees to and purchases and fees charged from related parties are made in accordance with the terms in the management, property management and loan agreements.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from related parties during the year.

Ultimate controlling entity

Calculator Australia Pty Ltd (“Kirsh”) is the ultimate controlling shareholder in the Company with a holding of approximately 54% of the ordinary shares of the Company (2021: 54%).

Mrs Myra Salkinder is the Chair of the Company and is a senior executive of Kirsh. Mr Mark Bloom is a Non-Executive Director of the Company and is a consultant to Kirsh.

(e) Fees

(i) Management fee

ASFML provides management and investment accounting services to the Company.

All costs associated with the provision of investment accounting services are paid for by ASFML, and are conducted on normal commercial terms and conditions.

ASFML receives all management fees that have been paid by the Company during the year. In accordance with the Company’s constitution, ASFML is entitled to receive a management fee of 0.85% (2021: 0.85%) of the total assets of the Company under the terms of the Constitution. The actual management fee charged was 0.43% (2021: 0.43%). The 0.43% fee that was not charged may be recouped in future years. The fees are paid on a monthly basis. Total fees paid to ASFML during the year for management of the Company were $1,536,801 (2021: $1,261,530).

As at the balance sheet date $282,666 (2021: $36,897) was owed to ASFML in relation to management fees.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

16. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management

(i) Directors

Myra Salkinder	Chair (Non-executive)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director
Mark Bloom	Non-executive Director
Mark Haberlin	Non-executive Director (Lead Independent)
Holly Kramer	Non-executive Director
Jingmin Qian	Non-executive Director

(ii) Executives

Name	Role	Date Appointed KMP	Date Ceased KMP
Gavin Lechem	Chief Investment Officer (CIO)	October 2021	-
Rob Baulderstone	Chief Financial Officer (CFO)	November 2012	30 June 2022

(b) Compensation for key management personnel

No amount is paid by the Company directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 “Related Party Disclosures” is paid by the Company to the Directors as KMP.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in note 15(e).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

17. INTANGIBLE ASSETS AND GOODWILL

	2022 $'000	2021 $'000
Goodwill		
Balance at 1 July	33,132	-
Additions	-	33,132
At the end of the year	**33,132**	**33,132**
Brand and trademarks with indefinite lives		
Balance at 1 July	31,629	-
Additions	-	31,629
At the end of the year	**31,629**	**31,629**
Licences and management rights		
Balance at 1 July	7,906	-
Additions	1	8,218
Amortisation charge for the year	(531)	(312)
At the end of the year, net of accumulated amortisation	**7,376**	**7,906**
Software		
At 1 July, net of accumulated amortisation	895	-
Additions	43	1,110
Amortisation charge for the year	(122)	(215)
At the end of the year, net of accumulated amortisation	**816**	**895**
Total goodwill and intangibles	**72,953**	**73,562**

Impairment tests for goodwill with indefinite useful lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations for the purposes of impairment testing is allocated to the cash generating units of the Company acquired. The recoverable amount of the unit has been determined based on a fair value less costs to sell calculation using cash flow projections as at 30 June 2022 covering a ten-year period.

(ii) Key assumptions used in valuation calculations

Goodwill – the calculation of fair value less costs to sell is most sensitive to the following assumptions:

a. Licence & management and other fee income: based on actual income and revenue within the financial year.

b. Discount rates: reflects management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows.

c. Selling costs: management's estimate of costs to sell.

d. A pre-tax discount rate of 7.5% and a terminal growth rate of 2.0% have been applied to the cash flow projections as a result of reduction in the risk-free rate.

(iii) Sensitivity to changes in assumptions

Significant and prolonged market influences which could increase discount rates could cause goodwill to be impaired in the future, however, the goodwill valuation as at 30 June 2022 has significant head room thus no reasonable changes in the assumptions would cause or give rise to an impairment.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties and derivative financial instruments which have been measured at fair value, interests in joint ventures and associates which are accounted for using the equity method, and certain investments and financial assets measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the class instrument applies.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the AASB and IASB respectively.

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations effective as of 1 July 2021.

There are several amendments and interpretations apply for the first time on 1 July 2021 as follows, but they do not have an impact on the consolidated financial statements of the Company.

- AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2

  This amends the requirements in AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases. The objective of the amendments is to minimise financial reporting consequences of a change in benchmark interest rates that Australian Accounting Standards may otherwise require, such as the derecognition or remeasurement of financial instruments, and the discontinuation of hedge accounting.

- AASB 2021-3 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions beyond 30 June 2021.

  In light of many other challenges lessees faced during the COVID-19 pandemic, AASB 16 was amended to extend the practical expedient to not account for COVID-19-related rent concessions as lease modifications by one year. This amendment had no impact on the consolidated financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2022. The significant new standards or amendments are outlined below:

- AASB 2021-1 AASB 2021-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current and AASB 2021-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective from 1 January 2023)

  The amendments to paragraphs 69 to 76 of AASB 101 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require amendments.

- AASB 2021-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2021 and Other Amendments (effective from 1 January 2022)

  The amending standard made amendments to the following standards and conceptual framework:

  Reference to the Conceptual Framework – Amendments to AASB 3
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of AASB 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 or Interpretation 21 Levies, if incurred separately.

  At the same time, the Board decided to clarify existing guidance in AASB 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments apply prospectively and the impact of this amendment continues to be assessed.

  Property, Plant and Equipment: Proceeds before Intended Use – Amendments to AASB 16
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to AASB 137
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on ASOL.

Fees in the '10 per cent' test for derecognition of financial liabilities (part of annual improvements 2018-2020 cycle) – Amendment to AASB9

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company

- AASB 2021-2 Amendments to Disclosure of Accounting Policies, Definition of Accounting Estimates and Other Amendments (effective for annual reporting periods from 1 January 2023*)*

The amending standard made amendments to the following standards:

Making Materiality Judgements – Disclosure of Accounting Policies – Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practices Statement 2

The amendments to AASB 101 require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in the Australian Accounting Standards.

The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information.

Definition of Accounting Estimates – Amendments to AASB 108

The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.

The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.

The amendments are applied prospectively and are not expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of ASOL and its subsidiaries.

Subsidiaries are all those entities over which the Company has power over the investee such that the Company is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits from intra-group transactions, have been eliminated in full and subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(e) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the Company are in Australian dollars. Each entity in the Company determines its own functional currency and items are included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings on translation of foreign operations that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At reporting date the assets and liabilities of foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at balance date and the financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental and Storage income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Finance Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income from the sale of joint venture profit share rights is recognised when the Company enters into arrangements with other parties which result in the Company receiving consideration for the sale of its right to receive a profit share from the joint venture

Merchandise Sales and Other Income

Merchandise sales and other income to customers are recognised when control of the goods and services are transferred to the customer, at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Dividends and distributions

Revenue is recognised when the Company’s right to receive the payment is established.

Net change in fair value of investments held at balance date

Changes in market value of investments are recognised as revenue or expense in determining the net profit for the period.

(g) Expenses

Expenses including rates, taxes and other outgoings, are brought to account on an accrual basis and any related payables are carried at cost.

(h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade and other receivables, which generally have 30 day terms, are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at amortised cost at the transaction price.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Any gain or loss on derecognition is also recognised in the income statement.

In assessing for impairment under AASB 9, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables, the Company applies the simplified approach permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables (continued)

To measure the expected credit losses, trade debtors and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

(j) Investments and other financial assets

All investments are initially recognised at cost, being the fair value of the consideration given.

Financial assets in the scope of AASB 9 *Financial Instruments* are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets that are not quoted in an active market with SPPI. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

Subsidiaries

Investment in subsidiaries are held at lower of cost or recoverable amount.

(k) Interest in joint arrangements

The Company's interest in joint venture entities is accounted for under the equity method of accounting in the consolidated financial statements. The investment in the joint venture entities is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the joint ventures, less any impairment in value. The consolidated income statement reflects the Company's share of the results of operations of the joint ventures.

Investments in joint ventures are held at the lower of cost or recoverable amount in the investing entities.

The Company's interest in joint operations that give the parties a right to the underlying assets and obligations themselves is accounted for by recognising the Company's share of those assets and obligations.

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 5 to 15 years   Right-of-use property – 5 years

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property (including land and buildings), plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment (continued)

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property (including land and buildings), plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the income statement.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Other property, plant and equipment are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle.

(m) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time that the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market and property specific conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Investment properties under construction are carried at cost until when the construction is near completion (70%-80% complete) because the fair value of an investment property under construction cannot be reliably measured.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

For a transfer from investment property to inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Land and buildings that meet the definition of investment property are considered to have the function of an investment and are therefore regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle. In determining fair value, the capitalisation of net income method and the discounting of future cashflows to their present value have been used.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investment properties (continued)

Lease incentives provided by the Company to lessees, and rental guarantees which may be received by the Company from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property. Leasing costs and incentives are included in the carrying value of investment property and are amortised over the respective lease period, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

Under AASB 140, investment properties, including any plant and equipment, are not subject to depreciation. However, depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as lessee

At the lease commencement date, a right-of-use asset and a corresponding lease liability is recognised.

The liabilities arising from the lease are initially measured on a present value basis. Lease liabilities include the net present value of future lease payments, less any lease incentives receivable. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost.

Right-of-use assets are measured at cost comprising:
– the amount of the initial measurement of the lease liability;
– any lease payments made at or before the commencement date, less any lease incentives received;
– any initial direct costs incurred; and
– any restoration costs.

Right-of-use property assets are measured and classified as either investment property or property plant and equipment in accordance with the policies above.

Company as a lessor

Leases in which the Company retains substantially all the risks and benefits of ownership of the lease assets are classified as operating leases.

The Company accounts for a modification to an operating lease either due to a change in scope or consideration of the lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(o) Goodwill and intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Company's primary or the Company's secondary reporting format determined in accordance with AASB 8 Operating Segments.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Goodwill and intangibles (continued)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (Company of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (Company of cash-generating units) is less that the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, such as goodwill, are not amortised but are tested for impairment at each reporting period, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed at each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Brand and trademarks

The Company acquired the Storage King brand and trademarks as part of the acquisition of the Storage King Group in November 2021. The brand and trademarks have been registered with the relevant government agency. In a licencing and management business, brand and trademarks are the most valuable intangible assets and may be renewed at little or no cost to the Company. As a result, the brand and trademarks are assessed as having an indefinite useful life.

Licencing and management agreements

The Company acquired Storage King's licencing and management agreements as part of the acquisition of the Storage King Group in November 2021. Storage King enters into licencing agreements with all its licensees which licensed the brand and trademarks to its licensees and provides specialist management services pursuant to a separate management agreement. In turn Storage King generates licencing and management fees income from these agreements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Goodwill and intangibles (continued)

Software

The Company acquired Storage King's software as part of the acquisition of the Storage King Group in November 2021. Storage King has invested in the development of software systems known as the Storage King User Dashboard ("SKUD") which transforms data into actionable insights for the licensees, and an e-commerce platform which is fully integrated with the website and available self storage units in real time to provide an enhanced customer experience.

A summary of the policies applied to the Company's intangible assets is as follows:

	Brand and trademarks	Licencing and management agreements	Software
Useful lives	Indefinite	Finite (15 years)	Finite (2-10 years)
Amortisation method used	No amortisation	Amortised on a straightline basis over the period of the agreements	Amortised on a straightline basis over the useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(p) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other that goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Dividends

A liability for dividend is recognised in the Balance Sheet if the dividend has been declared, determined or publicly recommended prior to balance date.

(s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as non-current liabilities where the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Interest-bearing loans and borrowings (continued)

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset or to upfront borrowing establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility. A qualifying asset is an asset that generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised into the cost of the asset. Where funds are borrowed by the Company for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(t) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Stapled securities are classified as equity. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds.

(u) Taxation

Company income tax

ASOL and its Australian resident wholly-owned subsidiaries have formed a tax consolidation group. ASOL has entered into a tax funding agreement with their Australian resident wholly-owned subsidiaries, so that each subsidiary agrees to pay or receive its share of the allocated tax at the current tax rate.

The head tax entity and the controlled entities in each tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head tax entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Company.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Taxation (continued)

Company income tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

New Zealand

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2021: 28%).

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(v) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to shareholders, adjusted to exclude costs of servicing equity (other than distributions) divided by the weighted average number of shares on issue during the period under review.

Diluted EPS is calculated as net profit attributable to shareholders, adjusted for:

- costs of servicing equity (other than distributions);
- the after tax effect of dividends and interest associated with dilutive potential shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential shares;

divided by the weighted average number of shares and dilutive potential shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

19. AUDITOR'S REMUNERATION

	2022 $	2021 $
Amounts received or due and receivable by Ernst & Young Australia:		
- Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	95,138	53,105
- Other services		
- due diligence services	-	46,350
	95,138	**99,455**

20. EVENTS AFTER BALANCE SHEET DATE

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Abacus Storage Operations Limited, we state that:

In the opinion of the directors:

a. the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2022 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in note 18(b); and

c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

On behalf of the Board

Myra Salkinder
Chair
Sydney, 16 August 2022

Steven Sewell
Managing Director

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Independent auditor's report to the unitholders of Abacus Storage Operations Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Abacus Storage Operations Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

Key audit matters

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

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

Investment Properties

Why significant	How our audit addressed the key audit matter

The Group's total assets include investment properties. These assets are carried at fair value, which was assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at the reporting date.
 	
As disclosed in Note 4, the valuation of investment properties is inherently subjective given there are alternative assumptions and valuation methods that may result in a range of values. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a significant change to the valuation of investment properties.
 	
Two approaches are generally used: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the valuers derive their best estimate of the value at a point in time.
 	
We have 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 Note 4 in assessing the property valuations at 30 June 2022.
	Our audit procedures included the following:
	• We discussed the following matters with management:
	  • movements in the Group's investment property portfolio;
	  • changes in the condition of each property including tenancy matters and development status;
	
	• On a sample basis, we performed the following procedures for selected properties:
	  • Evaluated the key valuation assumptions and agreed passing rental income to tenancy schedules. These assumptions and inputs included the adopted capitalisation rate and a number of leasing assumptions including market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure. We assessed the accuracy of tenancy reports which are used as source data in the property valuations by testing a sample of leases to the tenancy reports.
	  • Tested the mathematical accuracy of valuations.
	  • Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies.
	  • Where relevant we compared the valuation against comparable transactions utilised in the valuation process.
	  • Evaluated the suitability of the valuation methodology based on the type of asset.
	  • Assessed the qualifications, competence and objectivity of the valuers.

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 Company's 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
Sydney
16 August 2022

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