Abacus PROPERTY

Abacus Storage Property Trust

ABN 99 834 531 714

Financial Report

For the year ended
30 June 2021

ANNUAL FINANCIAL REPORT

30 June 2021

Directory

Responsible Entity
Abacus Storage Funds Management Limited
ABN: 41 109 324 834

Registered Office
Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000
Tel: (02) 9253 8600
Fax: (02) 9253 8616
Website: www.abacusproperty.com.au

Custodian:
Perpetual Trustee Company Limited
Level 12 Angel Place
123 Pitt Street
SYDNEY NSW 2000

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

Company Secretary:
Robert Baulderstone

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
Tel: 1300 737 760
Fax: 1300 653 459

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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 Operations Limited as at 30 June 2021. 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 2021

The Directors of Abacus Storage Funds Management Limited ("ASFML"), the Responsible Entity of the Abacus Storage Property Trust ("ASPT" or the "Trust") present their report for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Trust during the year ended 30 June 2021 was the ownership of self-storage facilities in Australia and New Zealand.

OPERATING AND FINANCIAL REVIEW

The operating and financial review is intended to convey the Directors' perspective of ASPT and its operational and financial performance. It sets out information to assist securityholders 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.

Listed Structure / Entities

ASPT is a stapled entity of Abacus Property Group ("APG") 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.

The Trust is a member of Abacus Property Group ("Abacus" 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 Operations Limited ("ASOL") and ASPT. Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt with without the others. An APG 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.

ASPT is an Australian registered managed investment scheme. ASFML, the Responsible Entity of ASPT, is incorporated and domiciled in Australia and is a wholly owned subsidiary of AGHL.

The principal activities of ASPT that contributed to its earnings during the course of the year ended 30 June 2021 included investment in self-storage facilities to derive rental income.

TRUST STRATEGY

ASPT's objective is to provide unitholders with strong and stable cash backed distributions from a geographically diversified portfolio of self-storage properties that provides genuine potential for capital growth. Our strategy is to invest ASPT's capital into self-storage properties and take advantage of value adding opportunities to drive long term total returns and maximise unitholder value. ASPT does this through the acquisition, development and active management of property assets. In particular, we take advantage of our specialised knowlsedge and market position as the second largest owner of self-storage properties in Australasia and drive value through active management of the asset portfolio.

ASPT seeks self-storage properties in capital cities, typically on the Australian Eastern seaboard and New Zealand including regional locations that are mispriced by the market and which we believe are capable of both cashflow growth and capital growth.

DIRECTORS' REPORT

30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

TRUST RESULTS SUMMARY

The Trust earned a net profit attributable to unitholders of $250.3 million for the year ended 30 June 2021 (2020: $69.3 million).

Total property assets at 30 June 2021 were $1,250.7 million (2020: $900.4 million). The property portfolio was revalued during the year ended 30 June 2021 which resulted in a fair value gain of $193.9 million (2020: $20.2 million gain).

During the year, the Trust continued to focus its investment capital on acquisitions across the self storage sectors in line with its capital allocation strategy as these, in ASPT's view, represented the best risk adjusted returns over the investment period. This strategy is focused on growing the contribution to recurring earnings. In the year ended 30 June 2021, ASPT's net property income increased by 28.2% to $52.3 million (2020: $40.8 million).

The trust expanded its self storage portfolio investment thematic with acquisitions sourced from on market as well as off market transactions via the Storage King relationship. During the year, ASPT acquired and committed to investments of $241.0 million across the self storage sector which further cemented its standing as a high conviction investor in the self storage property market. The investment amount comprised of $135.0 million of acquisitions across 15 properties in Australia and New Zealand including contracts or options exchanged for three properties for $27.0 million. The balance of $79.0 million was invested in the acquisition of a stake in National Storage REIT during the year.

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

	2021	2020
Total assets ($ million)	1,532.2	1,085.7
Net assets ($ million)	749.7	439.0

The increase in net assets of the Trust by 70.8% reflects the capital raised and the revaluation gains on the Trust's investment properties.

Capital management

We continue to focus on active and conservative capital management strategies. ASPT has no significant debt expiring in the 2022 financial year.

During these uncertain times caused by the COVID-19 pandemic, the Trust remains well supported by its lenders. In August 2020, ASPT increased its banking facility limits by an additional $129.3 million and in June 2021, ASPT negotiated and agreed terms to extend $639 million of syndicated banking facility tranches by a further 12 to 24 months. Facility pricing was further improved and below the Trust's weighted average cost of debt.

DIRECTORS' REPORT

30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS AND RISKS

ASPT remains committed to growing its property portfolio and will achieve this through the acquisition and the development of existing assets. We will continue to actively manage our portfolio and, where appropriate, recycle assets to help provide liquidity to fund future acquisitions. We believe that expanding our portfolio will improve recurring earnings to support and grow our distributions and cash flows, optimising unitholders' returns in the coming years. Growth in revenue through further acquisitions will be driven by our ability to access markets for opportunities that deliver our required equity returns.

Provided the current management regimes of COVID-19 are maintained and future lockdowns are restricted to affected locations, recurring underlying earnings should continue to increase albeit at a reduced rate. Growth in revenue through further acquisitions will be driven or limited by ASPT's ability to access new opportunities that deliver the Trust's required equity returns in desired markets.

There are a number of risk factors associated with property-related businesses that may have an impact on the financial prospects of ASPT. Some of the key risks are outlined below. This outline is not exhaustive, and performance may be affected adversely by any of these risk and other factors.

Risk and opportunity	How ASPT manages this risk
Strategic investment performance Prevailing economic conditions, changing capitalisation rates and/or failure to predict the market or invest in appropriate sectors can impact the value of the ASPT's assets and financial performance. Setting the appropriate strategic direction for the business will assist in mitigating against unfavourable business outcomes as a result of prevailing investment conditions.	ASPT has a number of approaches to manage this risk including: • Active Investment Committee which is governed by a charter • Regular Board reporting which includes stress testing • Due diligence processes • Performance evaluation processes • Analysis of macro-economic and property sector trends • Forecasting processes • Market conditions monitoring • Valuation process consistent with the valuation policy ASPT recognises that its strategic goals, objectives and business plans are key drivers in determining the overall appetite for risk and that it is not possible, or necessarily desirable, to eliminate every risk inherent in its business activities. There is also acceptance of some risks such as economic conditions and the regulatory environment which are not within its ability to control.
Operational controls The failure to achieve financial targets due to inadequate or failed internal processes, people or systems. Appropriate internal operational control allows ASPT to manage investment and key operational processes (leasing, tenant management, property and building management, management of service providers). Effective operational control results in appropriate management of future financial performance.	ASPT has several approaches to management of operational control including: • Appropriate human resourcing and experience • Active Investment Committee which is governed by a charter • Due diligence processes • Forecasting and budgeting processes • Credit control • Performance evaluation of external service providers • Insurance • Internal audit

DIRECTORS' REPORT

30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS AND RISKS (continued)

Risk and opportunity	How ASPT manages this risk
Climate change ASPT may be exposed to unforeseen material environmental risk or the impact of climate change over time. Environmental and climate change related events have the potential to damage our assets, disrupt operations and impact the health and wellbeing of our stakeholders and communities.	ASPT recognises in its Sustainability and Environmental Policy that integrating sustainability issues, including environment and climate change, into our investment decision making and business operations is congruent with the responsibility we have to our stakeholders and is critical to ASPT achieving its long-term goals. This includes our focus on energy efficiency upgrades, as well as solar photovoltaic installations across our portfolio and developing targets and strategies to enhance the environmental performance of our assets including energy and water efficiency, greenhouse gas emissions reduction and waste to landfill reduction. ASPT continues to develop the appropriate strategies to protect its properties and mitigate the risks of climate change. Environmental issues are incorporated into our decision-making process when acquiring properties and as part of the ongoing management of each property. Key environmental concerns are reported to the Investment Committee and the Board as part of the governance framework. Environmental risks associated with each property are monitored as part of the ASPT's asset management processes.
Capital markets and treasury risk Changing debt and equity market conditions can affect the ASPT's ability obtain timely and appropriately priced capital which may prevent ASPT achieving its business and investment objectives.	ASPT utilises capital and treasury risk management measures including: • Capital management processes to monitor, manage and stress test interest rate, funding, liquidity and credit risk with regular reporting to the Treasury Management Committee and the Board • Treasury policy and operational procedure documents • External treasury advisor • Effective relationships with a range of banks and access to alternate funders
Health and safety Maintaining the health, safety and wellbeing of its people is of paramount importance to ASPT. The Trust recognises the fundamental right of all workers and those affected by our operations to a safe and healthy environment. ASPT strives, through a process of continuous improvement, to integrate safety and health into all aspects of its activities.	ASPT aims to achieve and sustain zero harm in the workplace through the application of risk management principles, effective stakeholder engagement and continuously improving our systems of work and organisational practice to empower all to work safely. ASPT focuses on maintaining a safety-aware culture and ensuring proper standards of workplace health and safety for its employees and other key stakeholders visiting or working at its properties.
People and culture Attracting, engaging and retaining talented people is fundamental to delivering our strategic objectives. ASPT has and is continuing to evolve a range of initiatives designed to ensure the most appropriate corporate culture and capabilities are in place to deliver on its strategic business objectives.	The initiatives include: • A commitment to diversity and inclusion ensuring collective perspectives are valued • Recognising the benefits of creating an inclusive workplace • Encouraging flexible work practices that are supported by necessary systems and processes • Code of conduct and whistle-blower program • Performance appraisal and training programs
Technology and cyber security Inadequate technology systems and controls could result in a loss of data which could impact the business and its reputation.	ASPT has a technology governance framework in place which is designed to address privacy, network security, business continuity and incident response. The technology governance is designed to protect, manage and configure network devices and to detect and respond to network threats and to ensure a consistent and effective approach to management of security incidents.

DIRECTORS' REPORT

30 June 2021

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Units with a total issue price of $93.3 million were issued during the year under the capital raising and distribution reinvestment plan. The contributed equity of the Trust at 30 June 2021 increased to $266.2 million from $172.9 million.

UNITS ON ISSUE

During the year 165.1 million units were issued and at 30 June 2021, there were 818.6 million units on issue (2020: 653.5 million).

TRUST ASSETS

At 30 June 2021, ASPT had assets to a total value of $1,532.2 million (2020: $1,085.7 million).

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

ASPT paid a management fee of $5.2 million (2020: $3.6 million) to the responsible entity for the year ended 30 June 2021.

DISTRIBUTIONS

The Trust's distributions in respect of the year ended 30 June 2021 were $24.9 million (2020: $10.2 million), which is equivalent to 3.05 cents per unit (2020: 1.56 cents). This distribution will be paid on 31 August 2021. Further details on the distributions are set out in Note 11 of the financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Subsequent to the financial year end:

- The acquisition of a portfolio of five self storage assets managed by Storage King, being three mature facilities located in Chatswood, Artarmon and St Leonards, one facility in the later stage of stabilisation located in Dee Why, and one recently developed facility located in Pymble was completed for $160.0 million excluding transaction costs.

- ASPT increased its banking facility limits by an additional $250.0 million. Facility pricing is unchanged

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 Trust's operations in future financial periods, the results of those operations or the Trust's state of affairs in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Trust will continue to pursue strategies that seek to improve total security holder returns 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 Trust.

DIRECTORS

The Directors of AGHL and ASFML 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 (appointed on 1 July 2021)
Mark Haberlin	Non-executive Director (Lead Independent)
Holly Kramer	Non-executive Director
Jingmin Qian	Non-executive Director

DIRECTORS' REPORT

30 June 2021

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Trust is subject to significant environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Trust'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.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 8.

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 Trust under ASIC Corporations Instrument 2016/191. The Trust is an entity to which the instrument applies.

Signed in accordance with a resolution of the directors.
Abacus Storage Funds Management Limited (ABN 41 109 324 834)

Myra Salkindar
Chair
Sydney, 18 August 2021

Steven Sewell
Managing Director

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

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

Auditor's independence declaration to the directors of Abacus Storage Funds Management Limited, the Responsible Entity for Abacus Storage Property Trust

As lead auditor for the audit of the financial report of Abacus Storage Property Trust for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

AREwan

Anthony Ewan
Partner
18 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2021

	Notes	30 Jun 2021 $'000	30 Jun 2020 $'000
REVENUE			
Rental income		58,880	46,205
Finance income	1	2,806	1,609
Total Revenue		**61,686**	**47,814**
OTHER INCOME			
Net change in fair value of investment properties held at balance date		193,896	20,169
Net change in fair value of investment properties derecognised		2,052	-
Net change in fair value of financial instruments derecognised		-	2,356
Net change in fair value of investments held at balance date		12,239	23,120
Income from distributions		8,203	2,592
Other Income		435	397
Total Revenue and Other Income		**278,511**	**96,448**
Property expenses and outgoings		(6,555)	(5,360)
Finance costs	3	(14,846)	(15,615)
Administrative and other expenses		(5,933)	(4,260)
TOTAL NET PROFIT FOR THE YEAR		**251,177**	**71,213**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation adjustments, net of tax		(897)	(1,906)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**250,280**	**69,307**
Basic and diluted earnings per unit (cents)	2	33.89	11.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021 $'000	30 June 2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	21,034	19,467
Trade and other receivables	9(a)	12,557	11,023
Other		685	884
TOTAL CURRENT ASSETS		**34,276**	**31,374**
NON-CURRENT ASSETS			
Investment properties	4	1,250,729	900,437
Loans	5(a)	15,281	13,229
Other financial assets	5(b)	231,895	140,669
TOTAL NON-CURRENT ASSETS		**1,497,905**	**1,054,335**
TOTAL ASSETS		**1,532,181**	**1,085,709**
CURRENT LIABILITIES			
Trade and other payables		33,372	17,946
Other		357	367
TOTAL CURRENT LIABILITIES		**33,729**	**18,313**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	8	746,635	626,091
Other		2,121	2,277
TOTAL NON-CURRENT LIABILITIES		**748,756**	**628,368**
TOTAL LIABILITIES		**782,485**	**646,681**
NET ASSETS		**749,696**	**439,028**

	Notes	30 June 2021 $'000	30 June 2020 $'000
EQUITY			
Contributed equity	10	266,230	172,891
Reserves		(285)	612
Retained earnings		483,751	265,525
TOTAL EQUITY		**749,696**	**439,028**

CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 $'000	30 June 2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		62,910	44,938
Interest received		7	31
Distributions received		5,876	1,369
Borrowing costs paid		(14,271)	(13,217)
Operating payments		(12,845)	(9,554)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	**41,677**	**23,567**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for investments and funds advanced		(2,129)	(13,107)
Proceeds from sale and settlement of investments and funds repaid		-	9,153
Purchase of investment properties and capital improvements		(168,007)	(178,723)
Disposal of investment properties		15,580	-
Disposal of securities		-	49,334
Payment for other investments		(78,987)	(117,549)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(233,543)**	**(250,892)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		79,201	43,300
Payment of issue costs		(847)	(953)
Payment of finance costs		(1,704)	(483)
Repayment of principal portion of lease liabilities		(350)	(356)
Repayment of borrowings		(34,732)	(59,419)
Proceeds from borrowings		155,171	252,177
Distributions paid		(3,363)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**193,376**	**234,266**
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,510	6,941
Net foreign exchange differences		57	45
Cash and cash equivalents at beginning of year		19,467	12,481
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**21,034**	**19,467**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2021

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2020	172,891	612	265,525	439,028
Other comprehensive income	-	(897)	-	(897)
Net income for the year	-	-	251,177	251,177
Total comprehensive income / (expense) for the year	-	(897)	251,177	250,280
Equity raisings	79,202	-	-	79,202
Issue costs	(848)	-	-	(848)
Distribution reinvestment plan	14,985	-	-	14,985
Distribution to unit holders	-	-	(32,951)	(32,951)
At 30 June 2021	**266,230**	**(285)**	**483,751**	**749,696**

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2019	124,804	2,518	209,481	336,803
Other comprehensive income	-	(1,906)	-	(1,906)
Net income for the year	-	-	71,213	71,213
Total comprehensive income for the year	-	(1,906)	71,213	69,307
Equity raisings	43,300	-	-	43,300
Issue costs	(953)	-	-	(953)
Distribution reinvestment plan	5,740	-	-	5,740
Distribution to unit holders	-	-	(15,169)	(15,169)
At 30 June 2020	**172,891**	**612**	**265,525**	**439,028**

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30 JUNE 2021

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Results for the year	Operating assets and liabilities	Capital structure and financing costs	Group Structure	Other Items
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2. Earnings per unit	5. Loans and other financial assets	7. Capital management		14. Related party disclosures
3. Expenses		8. Interest bearing loans and borrowings		15. Key management personnel
		9. Financial instruments		16. Summary of significant accounting policies
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NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2021

Abacus Storage Property Trust ("ASPT" or the "Trust") is a registered managed investment scheme and is a member of the Abacus Property Group ("APG" 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 Trust for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 18 August 2021.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Trust'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 Trust. 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 the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting estimates and assumptions

Fair value of derivatives

The fair value of derivatives is determined using closing quoted market prices (where there is an active market) or a suitable pricing model based on discounted cash flow analysis using assumptions supported by observable market rates. Where derivatives are not quoted in an active market their fair value has been determined using (where available) quoted market inputs and other data relevant to assessing the value of the financial instrument, including financial guarantees granted by the Trust, estimates of the probability of exercise.

Valuation of investment properties

The Trust makes judgements in respect of the fair value of investment properties (Note 16(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.

As at 30 June 2021 there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the property values may change significantly and unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the valuations are prepared on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. The current response to the COVID-19 pandemic means that the Trust has faced an unprecedented set of circumstances on which to base a judgement.

NOTES TO THE FINANCIAL STATEMENTS – About this Report (continued)
30 JUNE 2021

The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

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

The property valuations have been prepared based on the information that is available at 30 June 2021. In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Trust's investment property portfolio in the future.

Fair value of financial assets

The Trust holds investments in listed securities. The fair value of the investments is determined based on quoted securities.

NOTES TO THE FINANCIAL STATEMENTS – Segment Information
30 JUNE 2021

The Trust operates only in Australasia and management considers that the Trust has a single reportable segment which includes investment in ownership of self-storage properties and the provision of finance. The revenue received from external customers for services was:

	2021 $'000	2020 $'000
Revenue from external customers		
Rent - property income	58,880	46,205
Interest - finance income	2,806	1,609
Other	8,638	2,989
Total revenue from external customers	**70,324**	**50,803**

Major Customers

The largest customer, a related party, accounts for 61.17% of external revenue (2020: 65.73%)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

1. REVENUE

	2021 $'000	2020 $'000
Finance income		
Interest and fee income on secured loans	2,799	1,577
Bank interest	7	32
Total finance income	**2,806**	**1,609**

2. EARNINGS PER UNIT

	2021	2020
Basic and diluted earnings per unit (cents)	33.89	11.07
Reconciliation of earnings used in calculating earnings per unit		
Basic and diluted earnings per unit		
Net profit ($'000)	**251,177**	**71,213**
Weighted average number of units:		
Weighted average number of units for basic earning per unit ('000)	741,130	643,014

3. EXPENSES

	2021 $'000	2020 $'000
Finance costs		
Interest on loans	9,878	10,956
Other finance costs	184	315
Amortisation of finance costs	2,250	607
Interest on related party loan	2,534	3,737
Total finance costs	**14,846**	**15,615**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

4. INVESTMENT PROPERTIES

	2021 $'000	2020 $'000
Leasehold investment properties - Australia[1]	11,613	12,300
Freehold investment properties - Australia	980,037	671,858
Freehold investment properties - New Zealand[2]	259,079	216,279
Total investment properties	**1,250,729**	**900,437**

1. The carrying amount of the leasehold property is presented gross of the finance liability of $2.5 million (2020: $2.6 million).

2. Subsidiaries of the Trust wholly own these NZ assets (and the NZD financing of these NZ assets) and consequently the impact of AUD / NZD FX rate revaluations against rates at acquisition date have been measured and reported separately on a net basis in the foreign currency translation reserve. For the purposes of disclosing unrealised gains on investment properties, "Carrying value" has been translated at year end AUD / NZD FX rates per the RBA: $A1 = $NZ1.0745 (30 June 2020: RBA: $A1 = $NZ1.0703).

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	
	2021	2020
Leasehold investment properties	**$'000**	**$'000**
Carrying amount at beginning of the financial year	12,300	12,824
Capital expenditure	489	57
Net change in fair value as at balance date	(1,176)	(581)
Carrying amount at end of the year	**11,613**	**12,300**

	Non-current	
	2021	2020
Freehold investment properties	**$'000**	**$'000**
Carrying amount at beginning of the financial year	888,137	696,870
Additions	141,836	139,597
Capital expenditure	28,612	35,317
Net change in fair value as at balance date	195,072	20,750
Net change in fair value derecognised	2,052	-
Disposals	(15,580)	-
Effect of movements in foreign exchange	(1,013)	(4,397)
Carrying amount at end of the year	**1,239,116**	**888,137**

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 2021

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 rates 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 net market rent 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 Head of Storage who is also responsible for the Trust'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 different valuation cycle.

The majority 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 5.8% (2020: 6.6%)

The current occupancy rate for self-storage assets is 89.58% (2020: 86.9%)

As at 30 June 2021 there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the property values may change significantly and unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the valuations are prepared on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. The current response to the COVID-19 pandemic means that the Trust has faced an unprecedented set of circumstances on which to base a judgement.

The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

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

The property valuations have been prepared based on the information that is available at 30 June 2021.

In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Trust'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 $56.9 million or decrease the fair value by $52.1 million respectively.

During the year ended 30 June 2021, 45.9% (30 June 2020: 58.9%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 54.1% (30 June 2020: 41.1%) were subject to internal valuation.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

5. LOANS AND OTHER FINANCIAL ASSETS

	2021 $'000	2020 $'000
(a) Non-current property loans		
Loans to related parties - amortised cost [1]	15,281	13,229
	15,281	**13,229**
(b) Non-current other financial assets		
Investments in securities and options - listed - fair value	231,895	140,669
	231,895	**140,669**

1. The facilities are to entities within Abacus Property Group. The non-current facilities will mature by December 2024. The weighted average interest rate was 8.00% pa (2020: 8.00%) as at 30 June 2021.

6. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'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 2021		
Cash at bank and in hand[1]	**21,034**	**19,467**

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

Net profit	251,177	71,213
Adjustments for:		
Amortisation of finance costs	2,231	607
Net change in fair value of investment properties held at balance date	(12,239)	(20,169)
Net change in fair value of investment properties derecognised	(2,052)	-
Net change in fair value of investment and financial instruments derecognised	-	(2,356)
Net change in fair value of investments held at balance date	(193,896)	(23,120)
Foreign exchange loss	(57)	(46)
Income from distribution	(2,326)	(1,223)
Net change in payable, receivable and other assets	(1,161)	(1,339)
Net cash from operating activities	**41,677**	**23,567**

(a) Disclosure of financing facilities

Refer to Note 8.

(b) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 26.4 million stapled units (2020: 8.6 million) were issued with a cash equivalent of $15.0 million (2020: 5.7 million).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

7. CAPITAL MANAGEMENT

The Trust seeks to manage its capital requirements through a mix of debt and equity funding. It also ensures that Trust 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 Trust also protects its equity in assets by taking out insurance.

The Trust 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 Trust 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 Trust 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

8. INTEREST BEARING LOANS AND BORROWINGS

	2021	2020
	$'000	**$'000**
(a) Non-current		
Bank loans - A$	311,500	376,200
Bank loans - A$ value of NZ$ denominated loan	137,099	107,447
Loans from related parties	299,258	144,192
Less: Unamortised borrowing costs	(1,222)	(1,748)
	746,635	**626,091**

	2021	2020
	$'000	**$'000**
(b) Maturity profile of current and non-current interest bearing loans		
Due between one and five years	519,622	626,091
Due after five years	227,013	-
	746,635	**626,091**

The Trust 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.

Bank loans are $A and $NZ denominated and are provided by a bank at interest rates which are set periodically on a floating basis. The loan term to maturity is between July 2022 to July 2026. The bank loan is secured by charges over the investment properties and certain property, plant and equipment.

None (30 June 2020: nil) of the bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity 4.4 years (30 June 2020: 3.4 years).

ASPT’s weighted average interest rate (A$ and NZ$ combined) as at 30 June 2021 was 1.81% (2020: 2.68%)

(c) Financing facilities available

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

	2021	2020
	$'000	**$'000**
Total facilities - bank loans	639,250	510,000
Facilities used at reporting date - bank loans	(448,599)	(483,447)
Facilities unused at reporting date - bank loans	**190,651**	**26,553**

(d) Assets pledged as security

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

	2021	2020
	$'000	**$'000**
Non-current		
First mortgage		
Investment properties in Australia and New Zealand	1,243,795	900,437
Total non-current assets pledged as security	1,243,795	900,437
Total assets pledged as security	**1,243,795**	**900,437**

(e) Defaults and breaches

During the current and prior years, there were no defaults or breaches of any of the Trust’s loans.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

9. FINANCIAL INSTRUMENTS

Financial Risk Management

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

The Trust's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Trust. 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 Trust is to raise finance for the Trust's operations. The Trust has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Trust also enters into derivative transactions principally interest rate derivatives. The purpose is to manage the interest rate exposure arising from the Trust'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 16 to the financial statements.

(a) Credit risk

Credit risk is the risk of financial loss to the Trust 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 Trust's receivables from customers, investment in securities, secured property loans and interest bearing loans and derivatives with banks.

The Trust manages its exposure to risk by:

- derivative counterparties and cash transactions are limited to high credit quality financial institutions;
- policy which limits the amount of credit exposure to any one financial institution;
- providing loans to related parties where it is satisfied with the underlying property exposure within that entity;
- regularly monitoring loans and receivables balances on an ongoing basis;
- regularly monitoring the performance of its related parties on an ongoing basis; and
- obtaining collateral as security (where required or appropriate).

Credit risk exposures

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

	Carrying Amount	
	2021	**2020**
	$'000	**$'000**
Receivables[1]	12,557	11,023
Related party loans	15,281	13,229
Cash and cash equivalents	21,034	19,467
	48,872	**43,719**

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

(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 through the issue of new stapled securities or the distribution reinvestment plan.

The Trust's policy is to maintain an available loan facility with banks sufficient to meet expected operational expenses and to finance investment acquisitions for a period of 90 days, including the servicing of financial obligations. Current loan facilities are assessed and extended for a maximum period based on the Trust's expectations of future interest and market conditions.

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

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	33,372	33,372	33,372	-	-
Interest bearing loans and borrowings incl derivatives#	746,635	824,226	14,996	582,171	227,059
Total liabilities	**780,007**	**857,598**	**48,368**	**582,171**	**227,059**

30 June 2020	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	17,946	17,946	17,946	-	-
Interest bearing loans and borrowings incl derivatives#	626,091	672,464	11,428	661,035	-
Total liabilities	**644,037**	**690,410**	**29,374**	**661,035**	**-**

Carrying amount includes fair value of derivative liabilities. Contractual cash flows includes contracted debt and net swap payments using prevailing forward rates

NOTES TO THE FINANCIAL STATEMENTS
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9. FINANCIAL INSTRUMENTS (continued)

(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 Trust'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 Trust is exposed to currency risk on its assets and liabilities in foreign operations, equity investments, investment in associates and property loans denominated in a currency other than the functional currency of Trust entities. The currencies in which these transactions are conducted are primarily denominated in NZD.

As a result, the Trust's balance sheet can be affected by movements in the AUD/NZD exchange rates.

The following table shows the Trust's investments denominated in a foreign currency:

	NZD	
	2021	**2020**
	$'000	**$'000**
Assets		
Cash at bank	3,941	1,623
Total assets	**3,941**	**1,623**
Liabilities		
Trade and other payables	62	451
Interest bearing loans and borrowings	147,313	115,000
Total liabilities	**147,375**	**115,451**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

The Trust borrows funds in New Zealand dollars to substantially match the foreign currency property asset value exposure with a corresponding foreign currency liability and therefore expects to substantially mitigate the foreign currency risk on their New Zealand denominated asset values.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June 2021, had the Australian Dollar moved, as illustrated in the table below, with all other variables held consistent, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)	
	2021	**2020**
	$'000	**$'000**
AUD/NZD + 10%	(12,797)	(9,906)
AUD/NZD - 10%	15,641	12,107

Interest rate risk / Fair value interest rate risk

The Trust's exposure to the risk of changes in market interest rates relates primarily to its long-term bank debt obligations which are based on floating interest rates. The Trust has a policy to maintain a mix of floating exposure and fixed interest rate hedging with fixed rate cover highest in years 1 to 5.

The Trust's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Trust enters into interest rate swaps, in which the Trust agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2021, after taking into account the effect of interest rate swaps, none of the Trust's borrowings are subject to fixed rate hedges (2020: nil).

As the Trust holds interest rate swaps against its variable rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

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

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	21,034	-	-	-	-	21,034
Receivables	-	-	-	-	12,557	12,557
Total financial assets	**21,034**	**-**	**-**	**-**	**12,557**	**33,591**
Weighted average interest rate*	0.00%					
Financial liabilities						
Interest bearing liabilities - bank	448,599	-	-	-	-	448,599
Interest bearing liabilities - other	299,258	-	-	-	-	299,258
Payables	-	-	-	-	33,372	33,372
Total financial liabilities	**747,857**	**-**	**-**	**-**	**33,372**	**781,229**
Weighted average interest rate on drawn bank debt*	1.81%					

30 June 2020	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	19,467	-	-	-	-	19,467
Receivables	-	-	-	-	11,023	11,023
Total financial assets	**19,467**	**-**	**-**	**-**	**11,023**	**30,490**
Weighted average interest rate*	0.35%					
Financial liabilities						
Interest bearing liabilities - bank	483,447	-	-	-	-	483,447
Interest bearing liabilities - other	144,192	-	-	-	-	144,192
Payables	-	-	-	-	17,946	17,946
Total financial liabilities	**627,639**	**-**	**-**	**-**	**17,946**	**645,585**
Weighted average interest rate on drawn bank debt*	2.68%					

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

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 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	17,366	(174)	-	174	-
Financial liabilities	610,758	6,108	-	(6,108)	-

		AUD			
	Carrying amount	**-1%**		**+1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	17,950	(180)	-	180	-
Financial liabilities	520,192	5,202	-	(5,202)	-

		NZD			
	Carrying amount	**-1%**		**+1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	3,668	(37)	-	37	-
Financial liabilities	137,099	1,371	-	(1,371)	-

		NZD			
	Carrying amount	**-1%**		**+1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	1,623	(16)	-	16	-
Financial liabilities	115,000	1,150	-	(1,150)	-

The analysis for the interest rate sensitivity of financial liabilities includes derivatives.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

9. FINANCIAL INSTRUMENTS (continued)

(d) Fair values

The fair value of the Trust's financial assets and liabilities are approximately equal to that of their carrying values. Details of the Trust'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 method Income capitalisation method	Adopted capitalisation rate Optimal occupancy Adopted discount rate Rate per unit
Derivative financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility
Securities and options - listed	Level 1	Quoted prices (unadjusted) in active market for identical assets or liabilities	Quoted security price

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 2021

10. CONTRIBUTED EQUITY

(a) Issued units	2021 $'000	2020 $'000
Units on issue	274,675	180,489
Issue costs	(8,445)	(7,598)
Total contributed equity	266,230	172,891

	Units	
(b) Movement in units on issue	**Number 30 Jun 2021 '000**	**Number 30 Jun 2020 '000**
At 30 June 2020	653,502	580,555
- equity raisings	138,692	64,383
- distribution reinvestment plan	26,397	8,564
Units on issue at 30 June 2021	818,591	653,502

11. DISTRIBUTIONS PAID AND PROPOSED

Abacus	2021 $'000	2020 $'000
(a) Distributions paid during the year		
June 2020 half: 1.56 cents per unit (2019: nil)	10,169	-
December 2020 half: 0.99 cents per unit (2019 half: 0.77 cents)	8,000	5,000
(b) Distributions proposed and recognised as a liability ^		
June 2021 half: 3.05 cents per unit (2020: 1.56 cents)	24,951	10,169

^ Includes distribution of NZ foreign tax credits recognised in the income statement which forms part of the proposed distribution.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

12. PARENT ENTITY FINANCIAL INFORMATION

	2021 $'000	2020 $'000
Results of the parent entity		
Profit for the year	205,486	59,015
Total comprehensive income for the year	**205,486**	**59,015**
Financial position of the parent entity at year end		
Current assets	46,161	39,661
Total assets	**1,398,422**	**998,793**
Current liabilities	25,391	2,664
Total liabilities	**775,518**	**632,833**
Net assets	**622,904**	**365,960**
Total equity of the parent entity comprising of:		
Issued capital	266,230	172,891
Retained earnings	356,674	193,069
Total equity	**622,904**	**365,960**

(a) Parent entity contingencies

There are no contingencies of the parent entity as at 30 June 2021 (2020: Nil).

(b) Parent entity lease commitments – Parent as lessor

	2021 $'000	2020 $'000
Within one year	40,197	30,812
Within two years	40,197	25,274
Within three years	37,594	25,274
Within four years	4,586	24,261
Within five years	545	1,454
	123,119	**107,075**

(c) Parent entity capital and other commitments

	2021 $'000	2020 $'000
Within one year		
- capital expenditure	32,551	8,064
- gross settlement of property acquisitions	25,500	45,288
	58,051	**53,352**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

13. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Trust as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2021 are as follows:

	2021 $'000	2020 $'000
Within one year	52,373	42,097
Within two years	52,373	35,180
Within three years	49,770	35,180
Within four years	6,261	34,186
Within five years	545	2,999
	161,322	**149,642**

(b) Capital and other commitments

At 30 June 2021 the Trust had numerous commitments and contingent liabilities which principally related to property acquisition settlements and commitments relating to property refurbishing costs.

Commitments planned and/or contracted at reporting date but not recognised as liabilities are as follows:

	2021 $'000	2020 $'000
Within one year		
- capital expenditure	32,901	8,114
- gross settlement of property acquisitions	25,500	45,288
	58,401	**53,402**

14. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

	equity interest	
	2021	2020
Entity	**%**	**%**
Abacus Storage Property Trust and its subsidiary:		
Abacus Storage NZ Property Trust	100	100

(b) Ultimate parent

ASPT has been designated as the parent entity of the Trust.

(c) Key management personnel

Details of payments are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

14. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with related parties

	2021 $'000	2020 $'000
Transactions with related parties other than associates and joint ventures		
Revenues		
Rent charged to related party	50,462	39,412
Interest revenue on loan to related party	2,799	1,577
Expenses		
Property management fees paid / payable	(5,227)	(3,627)
Interest expense on loan from related party	(2,535)	(3,737)
Other transactions		
Loan advanced from related party	423,171	886,906
Loan repayments to related party	(266,777)	(949,793)
Loan advanced to related party	(99,579)	(188,731)
Loan repayments from related party	97,450	190,185

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 Trust's constitution, 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 securityholder in the Group with a holding of approximately 54% of the ordinary securities of the Group (2020: 50%).

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

(e) Fees

(i) Management fee

ASFML provides management and investment accounting services to the Trust.

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

The Responsible Entity receives all management fees that have been paid by the Trust during the year. In accordance with the Trust's constitution, the Responsible Entity is entitled to receive an annual management fee of 0.85% (2020: 0.85%) of the total assets of the Trust under the terms of the Constitution. The actual management fee charged was 0.425% (2020: 0.425%). The fees are paid on a monthly basis. Total fees paid to the Responsible Entity during the year for management of the Trust were $5,226,919 (2020: $3,626,908).

As at the balance sheet date $36,897 (2020: $18,434) was owed to the Responsible Entity in relation to management fees.

During the period the Responsible Entity incurred no expenses on behalf of the Trust.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

15. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management

(i) Directors

The Directors of Abacus Storage Funds Management Limited are considered to be Key Management Personnel of the Trust. The Directors of the Responsible Entity in office during the year and up to the date of the report are

Myra Salkinder	Chair (Non-executive)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director
Mark Bloom	Non-executive Director (appointed on 1 July 2021)
Mark Haberlin	Non-executive Director (Lead Independent)
Holly Kramer	Non-executive Director
Jingmin Qian	Non-executive Director

(ii) Executives

R Baulderstone	Chief Financial Officer and Company Secretary
P Peterson	Head of Storage

(b) Compensation for key management personnel

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

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note 14 (e).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

16. 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 Trust under ASIC Corporations Instrument 2016/191. The Trust is an entity to which the 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 2020.

The Trust has adopted the following new or amended standards which became applicable on 1 July 2020, but they do not have an impact on the consolidated financial statements of the Trust:

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (effective from 1 January 2020)

  This amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. This amendment did not have a significant impact on the financial statements on application.

- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform

  The amendments to AASB 9 and AASB 139 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Trust as it does not have any interest rate hedge relationships.

- AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the AASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Trust.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

- AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions

  The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification. This amendment had no impact on the consolidated financial statements of the Trust.

(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 Trust for the annual reporting period ended 30 June 2021. The significant new standards or amendments are outlined below:

- AASB 2020-1 AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current – Deferral of Effective Date (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 Trust is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require amendments.

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

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

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 Trust.

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 Trust 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 the Trust.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
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 Trust 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 Trust.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of ASPT and its subsidiary.

Subsidiaries are all those entities over which the Trust has power over the investee such that the Trust 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 Trust and cease to be consolidated from the date on which control is transferred out of the Trust. 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 Trust 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 Trust are in Australian dollars. Each entity in the Trust determines its own functional currency and items are included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

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 Trust 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.

(f) Revenue recognition

Revenue is recognised when performance obligations have been met and is 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 Trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental 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.

Net change in fair value of investments and financial instruments derecognised during the year

Revenue from sale of investments is recognised on settlement when all performance obligations under the contract have been met. Performance obligations are generally considered to have been met at the time of settlement of the sale. Financial instruments are derecognised when the right to receive or pay cash flows from the financial derivative has expired or when the entity transfers substantially all the risks and rewards and the performance obligations of the financial derivative through termination. Gains or losses due to derecognition are recognised in the income statement.

Dividends and distributions

Revenue is recognised when the Trust'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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and shot-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 Trust assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables, the Trust applies the simplified approach permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

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) Derivative financial instruments and hedging

The Trust utilises derivative financial instruments, both foreign exchange and interest rate derivatives to manage the risk associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value through profit or loss (“FVTPL”).

The Trust has set defined policies and implemented hedging policies to manage interest and exchange rate risks. Derivative instruments are transacted in line with these policies to achieve the economic outcomes in line with the Trust’s treasury and hedging policy. They are not transacted for speculative purposes.

The Trust does not employ hedge accounting and as such derivatives are recorded at fair value with gains or losses arising from the movement in fair values recorded in the income statement.

(k) 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 Trust determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. At 30 June the Trust’s investments in listed securities have been classified as financial assets at fair value through profit or loss and property loans are classified as loans and receivables at amortised cost. Property loan financial assets that have a certain level of profit sharing component that do not meet the solely payments of principal and interest (SPPI) criterion under AASB 9 are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

The Trust classifies its financial assets that do not meet the SPPI criterion and derivatives at FVTPL

At initial recognition, the financial asset is measured at its fair value and transaction costs are recognised in profit or loss as incurred. Financial assets at FVTPL are subsequently measured at fair value. Any gains and losses from changes in fair value are recognised through profit or loss unless they have been designated and qualify as cash flow or net investment hedging instruments, where the effective portion of changes in fair value is recognised in either a cash flow or foreign currency reserve within equity. Any gain or loss on derecognition is recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not 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.

(l) 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 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investment properties (continued)

Lease incentives provided by the Trust to lessees, and rental guarantees which may be received by the Trust 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.

(m) 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.

Trust 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.

Trust as a lessor

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

The Trust 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.

(n) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust 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.

(o) Distributions and dividends

Trusts generally distribute their distributable assessable income to their unitholders. Such distributions are determined by reference to the taxable income of the respective trusts. Distributable income may include capital gains arising from the disposal of investments and tax-deferred income. Unrealised gains and losses on investments that are recognised as income are usually retained and are generally not assessable or distributable until realised. Capital losses are not distributed to security holders but are retained to be offset against any future realised capital gains.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 that are yield related are included as part of the carrying amount of loans and borrowings.

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

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 Trust for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Trust. 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.

(r) Taxation

The Trust is a non-taxable entity. A liability for current and deferred tax and tax expense is only recognised in respect of taxable entities that are subject to income tax and potential capital gains tax as detailed below.

Trust income tax

Under current Australian income tax legislation the Trust is not liable for Australian income tax provided security holders are presently entitled to the taxable income of the trusts and the trusts generally distribute their taxable income.

New Zealand

The trusts that operate in New Zealand (“NZ”) are treated as a company for NZ income tax purposes and are taxed at the corporate tax rate of 28% (2020: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

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% (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Taxation (continued)

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.

(s) Earnings per stapled security (EPSS)

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

Diluted EPSS is calculated as net profit attributable to stapled security holders, adjusted for:

- costs of servicing equity (other than distributions);
- the after tax effect of dividends and interest associated with dilutive potential stapled securities 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 stapled securities;

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

17. AUDITOR'S REMUNERATION

	2021 $	2020 $
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	196,920	162,076
	196,920	**162,076**

18. EVENTS AFTER BALANCE SHEET DATE

Subsequent to the financial year end:

- The acquisition of a portfolio of five self storage assets managed by Storage King, being three mature facilities located in Chatswood, Artarmon and St Leonards, one facility in the later stage of stabilisation located in Dee Why, and one recently developed facility located in Pymble was completed for $160.0 million excluding transaction costs.

- ASPT increased its banking facility limits by an additional $250.0 million. Facility pricing is unchanged.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Abacus Storage Funds Management 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 Trust and of the consolidated entity are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2021 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 16(b); and

c. there are reasonable grounds to believe that the Trust 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 2021.

On behalf of the Board

Myra Salkinder
Chair
Sydney, 18 August 2021

Steven Sewell
Managing Director

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

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

Independent Auditor's Report to the Members of Abacus Storage Property Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Abacus Storage Property Trust (the Trust), and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 of Abacus Storage Funds Management Limited, the Responsible Entity of the Trust.

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 2021 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.

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Investment Properties

Why significant	How our audit addressed the key audit matter
The Group's total assets include investment properties held directly. 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. 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. As at 30 June 2021, for certain investment properties there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the property values may change significantly and unexpectedly over a relatively short period of time. Given the market conditions at balance date, some independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021. We have, therefore, considered this a key audit matter due to the number of judgments required in determining fair value. For the same reasons we consider it important that attention is drawn to the information in Note 4 in assessing the property valuations at 30 June 2021.	The valuation of investment properties is inherently subjective given there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2021 has resulted in a wider range of possible values than at past valuation points. Our audit procedures included the following: • We discussed the following matters with management: ‣ movements in the Group's investment property portfolio; ‣ changes in the condition of each property; ‣ controls in place relevant to the valuation process; and ‣ the impact that COVID-19 has had on the Group's investment property portfolio including rent abatements offered to tenants and tenant occupancy risk arising from changes in the estimated lease renewals. • 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 effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls. ‣ Assessed whether COVID-19 relief provided to tenants had been factored into the valuations and that changes in tenant occupancy risk were also considered. ‣ Tested the mathematical accuracy of valuations. ‣ Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies, in particular changes made as a result of COVID-19.

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Why significant	How our audit addressed the key audit matter
	‣ Where relevant we compared the valuation against comparable transactions utilised in the valuation process. ‣ Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset. We considered the reports of the independent valuers and the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rate and future forecast rentals. ‣ Assessed the qualifications, competence and objectivity of the valuers. • We have considered whether there have been any indicators of material changes in property valuations from 30 June 2021 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been disclosed as a subsequent event in Note 18. • We have considered the associated financial report disclosures, in particular those relating to valuation uncertainty.

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 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the 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

A Ewan

Anthony Ewan
Partner
Sydney
18 August 2021

Abacus Property Group

Level 34 Australia Square
264-278 George Street
Sydney NSW 2000
T +61 2 9253 8600
F +61 2 9253 8616
E enquiries@abacusproperty.com.au
www.abacusproperty.com.au