

# Abacus Storage Operations Limited

ABN 37 112 457 075

## Financial Report

For the year ended  
30 June 2021

# **ANNUAL FINANCIAL REPORT**

**30 June 2021**

## **Directory**

**Abacus Storage Operations Limited**  
ABN: 37 112 457 075

### **Registered Office**

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Fax: (02) 9253 8616  
Website: [www.abacusproperty.com.au](http://www.abacusproperty.com.au)

### **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

### **Directors:**

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

### **Company Secretary:**

Robert Baulderstone

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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust and Abacus Storage Property Trust 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 Operations Limited ("ASOL") present their report for the year ended 30 June 2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company during the year ended 30 June 2021 was the operation 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 ASOL and its operational and financial performance. It sets out information to assist shareholders to understand and interpret the financial statements included in this report prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"), as issued by the AASB and IASB respectively. It should be read in conjunction with the financial statements and accompanying notes.

#### *Listed Structure / Entities*

ASOL 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.

APG comprises Abacus Group Holdings Limited ("AGHL"), Abacus Trust, Abacus Group Projects Limited ("AGPL"), Abacus Income Trust ("AIT"), Abacus Storage Operations Limited ("ASOL") and Abacus Storage Property Trust ("ASPT"). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt without the others. An 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.

ASOL is incorporated and domiciled in Australia.

The principal activities of ASOL that contributed to its earnings during the course of the year ended 30 June 2021 included investment in self-storage facilities to derive storage fee income and operation of self-storage facilities. These activities are reported through our core reportable segment of Storage.

### COMPANY STRATEGY

ASOL's objective is to provide shareholders with dividends from actively managing and operating self-storage facilities. ASOL is committed to growing its business of managing and operating self-storage facilities owned by the Company as well as self-storage facilities leased from ASPT.

### COMPANY RESULTS SUMMARY

The Company earned a net profit attributable to members of \$28.9 million for the year ended 30 June 2021 (2020: \$11.5 million).

Total property assets at 30 June 2021 were \$289.7 million (2020: \$247.2 million). The property portfolio was revalued during the year ended 30 June 2021 which resulted in a revaluation loss of \$23.5 million (2020: \$26.7 million loss).

During the year, ASOL acquired the remaining 75% interest in the self-storage management business of Storage King for full control of the business for \$50.6m

#### *Impact of the COVID-19 pandemic*

While storage does not strictly fall within the Code, tenants have been offered rent relief. The relief is being structured as rent waivers with no rent deferrals being offered to tenants.

During the year ended 30 June 2021, there have been 109 tenants (2020: 607) eligible and seeking COVID-19 related abatement through the dedicated Storage King hotline. These are weighted equally by number between commercial and residential tenants. Abatements for the year were nominal which equates to 0.04% of rent roll.

## **DIRECTORS' REPORT**

30 June 2021

### **OPERATING AND FINANCIAL REVIEW (continued)**

#### **COMPANY RESULTS SUMMARY (continued)**

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

	<b>2021</b>	<b>2020</b>
<b>Total assets (\$ million)</b>	410.2	307.7
<b>Net assets (\$ million)</b>	176.0	121.0

The increase in net assets of the Company by 45% reflects capital raised during the year and the improved performance compared to the previous year. During the year, the Company's total assets increased by \$102.5 million with an increase in the right of use assets (AASB 16), the increase in the value of investment properties and intangible assets associated with the purchase of Storage King. The Company's total liabilities year on year increased mainly due to the increase in lease liabilities (AASB16).

#### **Capital management**

We continue to focus on active and conservative capital management strategies. The Company has no debt expiring in 2021.

### **FUTURE PROSPECTS AND RISKS**

ASOL remains committed to growing its business of managing and operating self-storage facilities owned by the Company and self-storage facilities leased from ASPT.

Provided the current management regimes of COVID-19 are maintained and future lockdowns are restricted to affected locations, only recurring underlying earnings should continue to increase albeit at a reduced rate.

There are a number of risk factors associated with property-related businesses that may have an impact on the financial prospects of ASOL. 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.

<b>Risk and opportunity</b>	<b>How ASOL manages this risk</b>
<b>Strategic investment performance</b> Prevailing economic conditions, changing capitalisation rates and/or failure to predict the market or invest in appropriate sectors can impact the value of the ASOL'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.	ASOL has a number of approaches to manage this risk including: <ul style="list-style-type: none"> <li>• Active Investment Committee which is governed by a charter</li> <li>• Regular Board reporting which includes stress testing</li> <li>• Due diligence processes</li> <li>• Performance evaluation processes</li> <li>• Analysis of macro-economic and property sector trends</li> <li>• Forecasting processes</li> <li>• Market conditions monitoring</li> <li>• Valuation process consistent with the valuation policy</li> </ul> <p>ASOL 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.</p>
<b>Operational Controls</b> The failure to achieve financial targets due to inadequate or failed internal processes, people or systems. Appropriate internal operational control allows ASOL 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.	ASOL has several approaches to management of operational control including: <ul style="list-style-type: none"> <li>• Appropriate human resourcing and experience</li> <li>• Active Investment Committee which is governed by a charter</li> <li>• Due diligence processes</li> <li>• Forecasting and budgeting processes</li> <li>• Credit control</li> <li>• Performance evaluation of external service providers</li> <li>• Insurance</li> <li>• Internal audit</li> </ul>

**DIRECTORS' REPORT**

30 June 2021

**OPERATING AND FINANCIAL REVIEW (continued)**
**FUTURE PROSPECTS AND RISKS (continued)**

Risk and opportunity	How ASOL manages this risk
<p><b>Climate change</b></p> <p>ASOL 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 stakeholder and communities</p>	<p>ASOL 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 ASOL 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</p> <p>ASOL continues to develop the appropriate strategies to protect its properties and mitigate the risks of climate change.</p> <p>Environmental issues are incorporated into our decision-making process when acquiring properties and as part of the ongoing management of each property.</p> <p>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 ASOL's asset management processes.</p>
<p><b>Capital markets and treasury risk</b></p> <p>Changing debt and equity market conditions can affect the ASOL's ability obtain timely and appropriately priced capital which may prevent ASOL achieving its business and investment objectives.</p>	<p>ASOL utilises capital and treasury risk management measures including:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Treasury policy and operational procedure documents</li> <li>• External treasury advisor</li> <li>• Effective relationships with a range of banks and access to alternate funders</li> </ul>
<p><b>Health and safety</b></p> <p>Maintaining the health, safety and wellbeing of its people is of paramount importance to ASOL. The Company recognises the fundamental right of all workers and those affected by ASOL's operations to a safe and healthy environment. ASOL strives, through a process of continuous improvement, to integrate safety and health into all aspects of its activities.</p>	<p>ASOL aims to achieve and sustain zero harm in the workplace through the application of risk management principles, effective stakeholder engagement and continuously improving the Company's systems of work and organisational practice to empower all to work safely.</p> <p>ASOL 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.</p>
<p><b>People and culture</b></p> <p>Attracting, engaging and retaining talented people is fundamental to delivering the Company's strategic objectives. ASOL 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.</p>	<p>The initiatives include:</p> <ul style="list-style-type: none"> <li>• A commitment to diversity and inclusion ensuring collective perspectives are valued</li> <li>• Recognising the benefits of creating an inclusive workplace</li> <li>• Encouraging flexible work practices that are supported by necessary systems and processes</li> <li>• Code of conduct and whistle-blower program</li> <li>• Performance appraisal and training programs</li> </ul>
<p><b>Technology and cyber security</b></p> <p>Inadequate technology systems and controls could result in a loss of data which could impact the business and its reputation.</p>	<p>ASOL 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.</p>

**DIRECTORS' REPORT****30 June 2021****SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Shares with a total issue price of \$26.1 million were issued during the year under the distribution reinvestment plan and capital raising. The contributed equity of the Company at 30 June 2021 increased to \$61.1 million from \$35.0 million.

**DIVIDENDS**

There were no dividends paid by the Company during the year ended 30 June 2021 (June 2020: Nil).

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

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

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

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

**DIRECTORS AND SECRETARY**

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

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

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

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

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

Myra is a member of the People Performance, Audit & Risk and Compliance & Sustainability Committees.

Tenure: 10 years

**Steven Sewell** BSc Managing Director

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

Tenure: 3 years 2 months

## DIRECTORS' REPORT

30 June 2021

### DIRECTORS AND SECRETARY (Continued)

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

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

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

Tenure: 1 year 9 months

**Mark Bloom** BCom, B.Acc, CA

Mark is a Non-Executive Director and joined the Board on 1 July 2021. Mark had an extensive 36 year career as a Finance Executive in Australia, Canada and South Africa, with his most recent role as Chief Financial Officer at Scentre Group up until April 2019, having previously served as Deputy Group CFO at Westfield Group. He acts as a consultant to Calculator Australia Pty Limited. Mark is also a Non-Executive Director of AGL Energy Limited and Pacific Smiles Group Limited.

Mark is a member of the People Performance Committee.

Tenure: appointed 1 July 2021

**Mark Haberlin** BSc (Eng) Hons, FCA

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

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

Tenure: 2 years 7 months

**Holly Kramer** BA Econ, MBA

Holly is a Non-Executive Director and brings a significant range of skills and expertise, including executive leadership and management positions in product, marketing and sales. She was CEO of apparel retailer Best & Less and held executive roles at Pacific Brands, Telstra and Ford Motor Company (in Australia and the US.) Holly is currently a Non-Executive Director of the Woolworths Group, Fonterra Co-operative Group, Endeavour Group, The Ethics Centre and the GO (Goodes-O'Loughlin) Foundation. Holly is also a Pro Chancellor at Western Sydney University and a member of the Bain Advisory Council. Previous roles include Deputy Chair at Australia Post (November 2015 to June 2020) and Non-Executive Director at AMP Limited (October 2015 to May 2018.)

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

Tenure: 2 years 6 months

**Jingmin Qian** CFA, BCe, MBA, FAICD

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

Ms Qian is Chair of the Compliance & Sustainability Committee and a member of the Audit & Risk Committee.

Tenure: 4 years

## **DIRECTORS' REPORT**

30 June 2021

### **DIRECTORS AND SECRETARY (continued)**

**Robert Baulderstone** BA, CA, FCIS      Company Secretary and Chief Financial Officer

Mr Baulderstone has been the Company Secretary since February 2017. He has been a chartered accountant for over 30 years.

As at the date of this report, the relevant interests of the directors in shares of the Company were as follows:

<b>Directors</b>	<b>shares held</b>
M Salkinder	197,925
S Sewell	233,756
T Alston	36,250
M Haberlin	42,292
H Kramer	25,089
J Qian	24,167

### **Directors' Meetings**

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

	<b>Board</b>		<b>Audit &amp; Risk Committee</b>		<b>People Performance Committee</b>		<b>Compliance &amp; Sustainability Committee</b>		<b>Nomination Committee</b>	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Salkinder	11	11	4	4	5	5	4	4	1	1
S Sewell	11	11	-	-	-	-	-	-	1	1
T Alston	11	11	4	4	5	5	-	-	1	1
M Haberlin	11	11	4	4	5	5	-	-	1	1
H Kramer	11	11	-	-	5	5	4	4	1	1
J Qian	11	11	4	4	-	-	4	4	1	1

### **Indemnification and Insurance of Directors and Officers**

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



**DIRECTORS' REPORT**

30 June 2021

**DIRECTORS AND SECRETARY (continued)**

**Indemnification of Auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

**EVENTS AFTER BALANCE DATE**

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

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

**AUDITORS INDEPENDENCE DECLARATION**

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

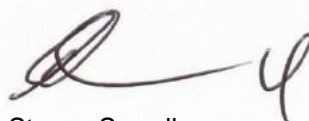
**ROUNDING**

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

Signed in accordance with a resolution of the directors.



Myra Salkindar  
Chair  
Sydney, 18 August 2021



Steven Sewell  
Managing Director



**Building a better  
working world**

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## **Auditor's independence declaration to the directors of Abacus Storage Operations Limited**

As lead auditor for the audit of the financial report of Abacus Storage Operations Limited for the financial year 30 June 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 Operations Limited and the entities it controlled during the financial year.

Ernst & Young

Anthony Ewan  
Partner  
18 August 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2021

		2021	2020
	Notes	\$'000	\$'000
<b>REVENUE</b>			
Rental income		95,822	76,308
Finance income		794	554
Fee Income		9,639	-
Merchandising income		8,457	6,247
<b>Total Revenue</b>		<b>114,712</b>	<b>83,109</b>
<b>OTHER INCOME</b>			
Net change in fair value of investments held at balance date		5,735	-
Net change in fair value of property, plant and equipment derecognised		4	-
<b>Total Revenue and Other Income</b>		<b>120,451</b>	<b>83,109</b>
Share of profit from equity accounted investments	5	(433)	(221)
Net change in fair value of investment properties held at balance date	4	(23,523)	(26,718)
Operating expenses		(22,571)	(17,320)
Management and supervision fees		(4,517)	(10,397)
License and retainer fees		(1,443)	(3,098)
Depreciation and amortisation expense		(2,339)	(1,462)
Finance costs		(6,209)	(6,789)
Administrative and other expenses	2	(20,934)	(1,041)
<b>PROFIT BEFORE TAX</b>		<b>38,482</b>	<b>16,063</b>
Income tax expense	3(a)	(9,578)	(4,521)
<b>NET PROFIT AFTER TAX</b>		<b>28,904</b>	<b>11,542</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified subsequently to the income statement</i>			
Foreign exchange translation adjustments, net of tax		(99)	(110)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>28,805</b>	<b>11,432</b>
<b>Basic and diluted earnings per share (cents)</b>	1	<b>3.90</b>	<b>1.79</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		2021	2020
	Notes	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	16,019	28,071
Trade and other receivables		2,537	490
Income tax receivable		-	994
Other		1,157	951
<b>TOTAL CURRENT ASSETS</b>		<b>19,713</b>	<b>30,506</b>
<b>NON-CURRENT ASSETS</b>			
Other Receivables		7,989	4,390
Investment properties	4	289,726	247,195
Intangible assets and goodwill	16	73,562	-
Equity accounted investments	5	-	11,274
Property, plant and equipment	12	19,239	14,357
<b>TOTAL NON-CURRENT ASSETS</b>		<b>390,516</b>	<b>277,216</b>
<b>TOTAL ASSETS</b>		<b>410,229</b>	<b>307,722</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		16,948	9,131
Income tax payable		149	-
Lease liabilities	13	50,238	37,267
Other		2,259	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>69,594</b>	<b>46,398</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	8(a)	15,280	13,229
Deferred tax liabilities	3(c)	31,946	16,793
Lease liabilities	13	116,130	110,263
Other		1,288	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>164,644</b>	<b>140,285</b>
<b>TOTAL LIABILITIES</b>		<b>234,238</b>	<b>186,683</b>
<b>NET ASSETS</b>		<b>175,991</b>	<b>121,039</b>

		2021	2020
	Notes	\$'000	\$'000
<b>EQUITY</b>			
Contributed equity	10	61,100	34,953
Reserves		(65)	34
Retained earnings		114,956	86,052
<b>TOTAL EQUITY</b>		<b>175,991</b>	<b>121,039</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**  
**YEAR ENDED 30 JUNE 2021**

		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income receipts		117,407	81,150
Interest received		794	554
Income tax paid		(2,970)	(4,200)
Finance costs paid		(6,286)	(510)
Operating payments		(49,203)	(31,045)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>6</b>	<b>59,742</b>	<b>45,949</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of subsidiary, net of cash acquired	17	(46,395)	-
Proceeds from sale and settlement of investments and funds repaid		-	5,408
Purchase of property, plant and equipment		(6,602)	(7,524)
Disposal of property, plant and equipment		4	-
Purchase of investment properties		(1,692)	(195)
Payment for other investments		(8)	(6)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(54,693)</b>	<b>(2,317)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		21,367	12,331
Payment of issue costs		(229)	(271)
Repayment of principal portion of lease liabilities		(45,152)	(35,113)
Repayment of borrowings		-	(12,938)
Proceeds from borrowings		6,988	13,107
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(17,026)</b>	<b>(22,884)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(11,977)</b>	<b>20,748</b>
Net foreign exchange differences		(75)	3
Cash and cash equivalents at beginning of year		28,071	7,320
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6</b>	<b>16,019</b>	<b>28,071</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2021

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

	Issued capital \$'000	Foreign currency translation \$'000	Retained earnings \$'000	Total Equity \$'000
<b>CONSOLIDATED</b>				
<b>At 1 July 2019</b>	21,270	144	74,510	95,924
Other comprehensive income	-	(110)	-	(110)
Net income for the year	-	-	11,542	11,542
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(110)</b>	<b>11,542</b>	<b>11,432</b>
Equity raisings	12,331	-	-	12,331
Issue costs	(271)	-	-	(271)
Distribution reinvestment plan	1,623	-	-	1,623
<b>At 30 June 2020</b>	<b>34,953</b>	<b>34</b>	<b>86,052</b>	<b>121,039</b>

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30 JUNE 2021

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**NOTES TO THE FINANCIAL STATEMENTS – About this Report****30 JUNE 2021**

Abacus Storage Operations Limited (“ASOL” or the “Company”) 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 Company 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 Company are described in the Directors’ Report.

**SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

**(a) Significant accounting estimates and assumptions***Valuation of investment properties and property, plant and equipment held at fair value*

The Company makes judgements in respect of the fair value of investment properties and property, plant and equipment (Note 18(m)). 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 Company 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 Company’s investment property portfolio in the future.



**NOTES TO THE FINANCIAL STATEMENTS – About this Report (continued)**

**30 JUNE 2021**

*Impairment of goodwill and intangible assets*

The Company determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangible assets are allocated. For goodwill and intangible assets this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangible assets are discussed in Note 16.

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information****30 JUNE 2021**

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from external customers</b>		
Rental, fee and merchandising income	113,918	82,555
<b>Total revenue from external customers</b>	<b>113,918</b>	<b>82,555</b>

**Major customers**

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 1. EARNINGS PER SHARE

	2021	2020
Basic and diluted earnings per share (cents)	3.90	1.79
<b>Reconciliation of earnings used in calculating earnings per share</b>		
<i>Basic and diluted earnings per share</i>		
<b>Net profit (\$'000)</b>	<b>28,904</b>	<b>11,542</b>
<b>Weighted average number of shares:</b>		
Weighted average number of shares for basic earning per share ('000)	741,130	643,014

## 2. EXPENSES

	2021	2020
	\$'000	\$'000
<b>Administrative and other expenses</b>		
Wages and salaries	13,632	-
Contributions to defined contribution plans	1,172	-
Other expenses	6,130	1,043
<b>Total administrative and other expenses</b>	<b>20,934</b>	<b>1,043</b>

## 3. INCOME TAX

	2021	2020
	\$'000	\$'000
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax charge	3,329	2,330
Adjustments in respect of current income tax of previous years	8	-
<i>Deferred income tax</i>		
Movement in depreciable assets tax depreciation	129	145
Relating to origination and reversal of temporary differences	6,112	2,046
<b>Income tax expense reported in the income statement</b>	<b>9,578</b>	<b>4,521</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 3. INCOME TAX (continued)

	2021 \$'000	2020 \$'000
<b>(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b>		
Profit before income tax expense	38,482	16,063
Prima facie income tax expense calculated at 30% (AU)	10,621	4,165
Prima facie income tax expense calculated at 28% (NZ)	862	610
Prima Facie income tax of entities subject to income tax	11,483	4,775
Foreign tax rate adjustment	7	(17)
Adjustment of prior year tax applied	7	-
Fair value of associate	(1,862)	-
Other items (net)	(57)	(237)
<b>Income tax expense</b>	<b>9,578</b>	<b>4,521</b>
<b>Income tax expense reported in the consolidated income statement</b>	<b>9,578</b>	<b>4,521</b>

**(c) Recognised deferred tax assets and liabilities**

Deferred income tax at 30 June 2021 relates to the following:

**Deferred tax liabilities**

Revaluation of investment properties at fair value	21,581	14,959
Other	11,493	1,838
<b>Gross deferred income tax liabilities</b>	<b>33,074</b>	<b>16,797</b>
Set off against deferred tax assets	(1,128)	(4)
<b>Net deferred income tax liabilities</b>	<b>31,946</b>	<b>16,793</b>

**Deferred tax assets**

Provisions - other	86	4
Provisions - employee entitlements	839	-
Losses available for offset against future taxable income	56	-
Other	147	-
<b>Gross deferred income tax assets</b>	<b>1,128</b>	<b>4</b>
Set off of deferred tax liabilities	(1,128)	(4)
<b>Net deferred income tax assets</b>	<b>-</b>	<b>-</b>

**Tax consolidation**

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

*Nature of the tax funding agreement*

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 3. INCOME TAX (continued)

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

## 4. INVESTMENT PROPERTIES

	2021	2020
	\$'000	\$'000
Right-of-use property assets	166,368	147,531
Freehold investment properties	123,358	99,664
<b>Total investment properties</b>	<b>289,726</b>	<b>247,195</b>

## 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 8:

	Non-current	
	2021	2020
	\$'000	\$'000
<b>Investment properties</b>		
Carrying amount at beginning of the financial period	247,195	92,592
Additions and capital expenditure	1,621	273
Additions of right of use assets	64,487	181,955
Net change in fair value of investment properties as at balance date	22,073	6,800
Net change in fair value of right-of-use investment properties as at balance date	(45,593)	(33,518)
Effect of movements in foreign exchange	(57)	(907)
<b>Carrying amount at end of the period</b>	<b>289,726</b>	<b>247,195</b>

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**4. INVESTMENT PROPERTIES (continued)**

The adopted discount rate of a discounted cash flow has a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

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

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

All of the investment properties are used as security for secured bank debt.

The weighted average capitalisation rate for the portfolio is 5.75% (2020: 6.5%)

The current occupancy rate for self-storage assets is 90.09% (2020: 84.7%)

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 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. The current response to the COVID-19 pandemic means that the Company 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 Company's investment property portfolio, and the future price achieved if a property is divested. . The potential effect of a decrease / increase in weighted average capitalisation rate of 25 bps on property valuation would have the effect of increasing the fair value by up to \$5.6 million or decrease the fair value by \$5.1 million respectively.

During the year ended 30 June 2021, none of the properties in the portfolio were subject to external valuations (2020: 100%).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

## (a) Extract from joint ventures and associates' profit and loss statement

	2021	2020
	\$'000	\$'000
Revenue	5,738	10,069
Expenses	(5,548)	(6,824)
<b>Net profit</b>	<b>190</b>	<b>3,245</b>
Abacus' 25% share	48	811
Elimination of upstream transactions	(481)	(1,033)
<b>Share of net profit</b>	<b>(433)</b>	<b>(221)</b>

## (b) Extract from joint ventures and associates' balance sheets

	2021	2020
	\$'000	\$'000
Current assets	-	7,132
Non-current assets	-	512
Non-current intangible assets	-	39,463
	-	47,107
Current liabilities	-	(4,153)
<b>Net assets</b>	<b>-</b>	<b>42,954</b>
<b>Share of net assets</b>	<b>-</b>	<b>11,274</b>

There were no impairment losses or contingent liabilities relating to the investment in the joint ventures and associates.

## 6. CASH AND CASH EQUIVALENTS

	2021	2020
	\$'000	\$'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 <sup>1</sup>	<b>16,019</b>	<b>28,071</b>
1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.		
Net profit	28,904	11,542
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	2,339	1,462
Net change in fair value of investment properties held at balance date	23,523	26,718
Net change in fair value of investments held at balance date	(5,735)	-
Net profit on disposal of property, plant and equipment	(4)	-
Share of profit from equity accounted investments	433	221
Decrease in lease liabilities	(432)	(4,746)
Increase in payables	11,850	12,140
Increase in receivables and other assets	(1,136)	(1,388)
<b>Net cash from operating activities</b>	<b>59,742</b>	<b>45,949</b>

## (a) 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 (2020: 8.6 million) shares were issued with a cash equivalent of 4.9 million (2020: 1.6 million).

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**7. CAPITAL MANAGEMENT**

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

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

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

**8. INTEREST BEARING LOANS AND BORROWINGS**

	2021	2020
	\$'000	\$'000
<b>(a) Non-current</b>		
Related party loans - A\$	15,280	13,229
	<b>15,280</b>	<b>13,229</b>
	2021	2020
	\$'000	\$'000
<b>(b) Maturity profile of current and non-current interest bearing loans</b>		
Due between one and five years	15,280	13,229
	<b>15,280</b>	<b>13,229</b>

Loans from related parties relate to one fixed rate loan provided by Abacus Storage Property Trust to assist in funding the acquisition of assets and provide working capital. The weighted average interest rate on the borrowings was 8.0% (2020: 8.0%) and the weighted average term to maturity was 3.5 years (2020: 4.5 years).



**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**9. FINANCIAL INSTRUMENTS****Financial Risk Management**

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

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

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

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the section about this report and Note 16 to the financial statements.

**(a) Credit risk**

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

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

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

**Credit risk exposures**

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

	Carrying Amount	
	2021	2020
	\$'000	\$'000
Receivables <sup>1</sup>	2,537	490
Cash and cash equivalents	16,019	28,071
	<b>18,556</b>	<b>28,561</b>

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

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

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

	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>					
Trade and other payables	9,131	9,131	9,131	-	-
Interest bearing loans and borrowings	13,229	17,963	1,058	16,905	-
Lease liabilities	147,530	164,008	42,621	109,859	11,528
<b>Total liabilities</b>	<b>169,890</b>	<b>191,102</b>	<b>52,810</b>	<b>126,764</b>	<b>11,528</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

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

*Foreign currency risk*

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

*Interest rate risk / Fair value interest rate risk*

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

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

	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
<b>30 June 2021</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	16,019	-	-	-	-	16,019
Receivables	-	-	-	-	2,537	2,537
<b>Total financial assets</b>	<b>16,019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,537</b>	<b>18,556</b>
Weighted average interest rate*	0.00%					
<b>Financial liabilities</b>						
Payables	-	-	-	-	16,948	16,948
Related party loans	-	-	15,280	-	-	15,280
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>15,280</b>	<b>-</b>	<b>16,948</b>	<b>32,228</b>
Weighted average interest rate on drawn debt*	8.00%					
	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
<b>30 June 2020</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	28,071	-	-	-	-	28,071
Receivables	-	-	-	-	490	490
<b>Total financial assets</b>	<b>28,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>490</b>	<b>28,561</b>
Weighted average interest rate*	0.80%					
<b>Financial liabilities</b>						
Payables	-	-	-	-	9,131	9,131
Related party loans	-	-	13,229	-	-	13,229
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>13,229</b>	<b>-</b>	<b>9,131</b>	<b>22,360</b>
Weighted average interest rate on drawn debt*	8.00%					

\* 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:

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

	Carrying amount	AUD			
		-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	28,071	(281)	-	281	-

The analysis for the interest rate sensitivity of financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 9. FINANCIAL INSTRUMENTS (continued)

### (d) Fair values

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

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

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Investment properties	Level 3	Discounted Cash Flow ("DCF") Direct comparison Income capitalisation method	Adopted capitalisation rate Optimal occupancy Adopted discount rate
Property, plant and equipment	Level 3	Income capitalisation method	Net market EBITDA Optimal occupancy Adopted capitalisation rate

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 10. CONTRIBUTED EQUITY

	2021	2020
	\$'000	\$'000
(a) Issued shares		
Shares	61,487	35,261
Issue costs	(387)	(308)
<b>Total contributed equity</b>	<b>61,100</b>	<b>34,953</b>

	Shares	
	Number	Number
	2021	2020
	000	000
(b) Movement in shares on issue		
At beginning of financial year	653,502	580,555
- equity raisings	138,692	64,382
- distribution reinvestment plan	26,397	8,565
<b>Shares on issue at end of financial year</b>	<b>818,591</b>	<b>653,502</b>

## 11. PARENT ENTITY FINANCIAL INFORMATION

	2021	2020
	\$'000	\$'000
Results of the parent entity		
Loss for the year	(878)	(293)
<b>Total comprehensive loss for the year</b>	<b>(878)</b>	<b>(293)</b>

Financial position of the parent entity at year end		
Current assets	56,557	28,325
<b>Total assets</b>	<b>229,567</b>	<b>176,975</b>
Current liabilities	10,105	4,338
<b>Total liabilities</b>	<b>152,351</b>	<b>125,028</b>
<b>Net assets</b>	<b>77,216</b>	<b>51,947</b>

Total equity of the parent entity comprising of:		
Issued capital	61,100	34,953
Retained earnings	16,116	16,994
<b>Total equity</b>	<b>77,216</b>	<b>51,947</b>

## (a) Parent entity contingencies

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

## (b) Parent entity capital commitments

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 12. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment classified as Level 3 in accordance with the fair value hierarchy outlined in Note 8(d) for the year ended 30 June 2021.

	2021 \$'000	2020 \$'000
<b>Plant and equipment</b>		
At the beginning of the period, net of accumulated depreciation	14,357	8,372
Additions	6,917	7,525
Effect of movements in foreign exchange	(20)	(78)
Depreciation charge for the period	(2,015)	(1,462)
<b>At the end of the period net of accumulated depreciation</b>	<b>19,239</b>	<b>14,357</b>
Gross value	27,644	20,754
Accumulated depreciation	(8,405)	(6,397)
<b>Net carrying amount at end of period</b>	<b>19,239</b>	<b>14,357</b>

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

## 13. LEASE LIABILITIES

## Company as lessee

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

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

	2021 \$'000	2020 \$'000
<b>As at 1 July</b>	<b>147,530</b>	<b>152,447</b>
Additions and modifications	64,488	29,508
Accretion of interest	5,405	6,319
Effect of movements in foreign exchange	(69)	(883)
Payments	(50,986)	(39,861)
<b>At 30 June</b>	<b>166,368</b>	<b>147,530</b>
Current	50,238	37,267
Non-current	116,130	110,263

The following are the amounts recognised in profit or loss:

	2021 \$'000	2020 \$'000
Interest expense on lease liabilities	5,405	6,319
<b>At 30 June</b>	<b>5,405</b>	<b>6,319</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 14. RELATED PARTY DISCLOSURES

### (a) Subsidiaries

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

Entity	equity interest	
	2021 %	2020 %
<i>Abacus Storage Operations Limited and its subsidiaries:</i>		
Abacus Storage NZ Operations Pty Limited	100	100
Abacus Storage Solutions Pty Limited	100	100
Abacus Storage Solutions NZ Pty Limited	100	100
Abacus USI C Trust	100	100
Abacus U Stow It A1 Trust	100	100
Abacus U Stow It B1 Trust	100	100
Abacus U Stow It A2 Trust	100	100
Abacus U Stow It B2 Trust	100	100
U Stow It Holdings Limited	100	100
U Stow It Pty Limited	100	100
Abacus SK Pty Limited	100	100
Storage King Corporate Holdings Pty Limited	100	25
Storage King Services Pty Limited	100	25
SK Licensing Pty Limited	100	25
SK (Licensees) Pty Limited	100	25
Storage King Management Pty Limited	100	25
Storage King Store Management Pty Limited	100	25
Storage King Mgmt NZ Limited	100	25
Storage King (Singapore) Pte Limited	100	25
Storage King International Limited	100	25
Storage King Pty Limited	100	25
Storage King NZ Limited	100	25
A.A1 Storage King Pty Limited	100	25

### (b) Ultimate parent

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

### (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
<b>Transactions with related parties other than associates and joint ventures</b>		
<b>Revenues</b>		
Interest revenue on loans to related party	786	541
<b>Expenses</b>		
Property management fees paid / payable	(1,262)	(822)
Interest expense on loans from related party	(804)	(470)
Rent charged by related party	(50,970)	(39,712)
<b>Other transactions</b>		
Loan advanced to related parties	(26,949)	(18,988)
Loan repayments from related parties	25,727	22,457
Loan advanced from related parties	51,496	50,722
Loan repayments to related parties	(49,368)	(52,177)

*Terms and conditions of transactions*

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

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

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

*Ultimate controlling entity*

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

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

ASFML receives all management fees that have been paid by the Company during the year. In accordance with the Company's constitution, ASFML is entitled to receive a management fee of 0.850% (2020: 0.850%) of the total assets of the Company under the terms of the Constitution. The actual management fee charged was 0.425% (2020: 0.425%). The 0.425% fee that was not charged may be recouped in future years. The fees are paid on a monthly basis. Total fees paid to ASFML during the year for management of the Company were \$1,261,530 (2020: \$821,832).

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 15. KEY MANAGEMENT PERSONNEL

#### (a) Details of Key Management

##### (i) Directors

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

##### (ii) Executives

R Boulderstone	Chief Financial Officer and Company Secretary
P Peterson	Head of Storage
M Tate	CEO of Storage King

#### (b) Compensation for key management personnel

No amount is paid by the Company directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Company to the Directors as 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. INTANGIBLE ASSETS AND GOODWILL

	2021
	\$'000
<b>Goodwill</b>	
Balance at 1 July	-
Additions	33,132
<b>At the end of the year</b>	<b>33,132</b>
<b>Brand and trademarks with indefinite lives</b>	
Additions	31,629
<b>At the end of the year</b>	<b>31,629</b>
<b>Licences and management rights</b>	
Additions	8,218
Amortisation charge for the year	(312)
<b>At the end of the year, net of accumulated amortisation</b>	<b>7,906</b>
<b>Software</b>	
At 1 July, net of accumulated amortisation	-
Additions	1,110
Amortisation charge for the year	(215)
<b>At the end of the year, net of accumulated amortisation</b>	<b>895</b>
<b>Total goodwill and intangibles</b>	<b>73,562</b>

**Impairment tests for goodwill with indefinite useful lives***(i) Description of the cash generating units and other relevant information*

Goodwill acquired through business combinations for the purposes of impairment testing is allocated to the cash generating units of the Company acquired. The recoverable amount of the unit has been determined based on a fair value less costs to sell calculation using cash flow projections as at 30 June 2021 covering a ten-year period.

*(ii) Key assumptions used in valuation calculations*

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

- Licence & management and other fee income: based on actual income and revenue within the financial year.
- Discount rates: reflects management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows
- Selling costs: management's estimate of costs to sell
- A pre-tax discount rate of 8.40% and a terminal growth rate of 2.0% have been applied to the cash flow projections as a result of reduction in the risk-free rate.

*(iii) Sensitivity to changes in assumptions*

Significant and prolonged market influences which could increase discount rates could cause goodwill to be impaired in the future, however, the goodwill valuation as at 30 June 2021 has significant head room thus no reasonable changes in the assumptions would cause or give rise to an impairment.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 17. BUSINESS COMBINATION

At 30 November 2020, Abacus Storage Operations Limited acquired the remaining 75% interest in the self-storage management business of Storage King Corporate Holdings Pty Limited for full control of the business. The purchase price for the remaining 75% interest of the business was a cash payment of \$50.6 million in addition to the 25% interest already held by Abacus, which was revalued by \$5.7 million to \$16.9 million.

The fair value of the identifiable assets and liabilities of the businesses as at the date of acquisition were:

Recognised on acquisition	Storage King Corporate Holdings Pty Limited \$'000
Intangibles	40,630
Plant and equipment	428
Deferred tax assets	443
Cash and cash equivalents	4,188
Trade and other receivables	3,617
Prepayments	163
<b>Total Assets</b>	<b>49,469</b>
Trade payables	1,634
Provisions	3,011
Income tax payable	1,023
Deferred tax liabilities	9,489
<b>Total Liabilities</b>	<b>15,157</b>
<b>Total identifiable net assets at fair value</b>	<b>34,312</b>
Fair value of previously held equity interest on acquisition date	(16,861)
Goodwill arising on acquisition	33,132
<b>Purchase consideration transferred</b>	<b>50,583</b>
The cash outflow on acquisition is as follows:	
Net cash acquired with the business	4,188
Cash paid	(50,583)
Net cash flow on acquisition	(46,395)

### Revenue and profit contributions

From the date of acquisition, the Storage King business contributed revenues of \$11.8 million and net profit after tax of \$1.7 million to ASOL. If the combination had taken place at the beginning of the year, the Storage King business would have contributed revenues of \$18.3 million and net profit after tax of \$3.0 million to ASOL.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Preparation**

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

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

**(b) Statement of Compliance**

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

**(c) New accounting standards and interpretations***(i) Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations effective as of 1 July 2020.

The Company has adopted the following new standards which became applicable on 1 July 2020:

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

This amends AASB 3 - Business Combinations to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment did not have a significant impact on the financial statements on application and clarified previous positions on acquisitions during the period.

- 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 2019-1 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 ASOL.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) New accounting standards and interpretations (continued)***(ii) Accounting Standards and Interpretation issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 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 Company 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.

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 ASOL.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) New accounting standards and interpretations (continued)***(ii) Accounting Standards and Interpretation issued but not yet effective (continued)**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to AASB 137*

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

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

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

**(d) Basis of consolidation**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Foreign currency translation***Functional and presentation currency*

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

*Transactions and balances*

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

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

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

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

**(f) Revenue recognition**

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

*Rental and Storage income*

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

*Finance Income*

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

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

*Dividends and distributions*

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

*Net change in fair value of investments held at balance date*

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

**(g) Expenses**

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



**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. 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 short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

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

**(i) Trade and other receivables**

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

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

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

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

**(j) Investments and other financial assets**

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

Financial assets in the scope of AASB 9 *Financial Instruments* are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. At 30 June the Company's investments in listed and unlisted 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.

*Loans and receivables*

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

*Subsidiaries*

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

**(k) Interest in joint arrangements**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(l) Property, plant and equipment**

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

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

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

*Impairment*

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

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

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

Impairment losses are recognised in the income statement.

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

*Disposal*

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

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

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

**(m) Investment properties**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(m) Investment properties (continued)**

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.

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

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

**(n) Leases**

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

*Company as lessee*

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

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

Right-of-use assets are measured at cost comprising:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- any restoration costs.

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

*Company as a lessor*

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(o) Goodwill and intangibles*****Goodwill***

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

***Intangibles assets***

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(o) Goodwill and intangibles (continued)***Brand and trademarks*

The Company acquired the Storage King brand and trademarks as part of the acquisition of the Storage King Group in November 2020. The brand and trademarks have been registered with the relevant government agency. In a licencing and management business, brand and trademarks are the most valuable intangible assets and may be renewed at little or no cost to the Company. As a result, the brand and trademarks are assessed as having an indefinite useful life.

*Licencing and management agreements*

The Company acquired Storage King's licencing and management agreements as part of the acquisition of the Storage King Group in November 2020. Storage King enters into licencing agreements with all its licensees which licensed the brand and trademarks to its licensees and provides specialist management services pursuant to a separate management agreement. In turn Storage King generates licencing and management fees income from these agreements.

*Software*

The Company acquired Storage King's software as part of the acquisition of the Storage King Group in November 2020. Storage King has invested in the development of software systems known as the Storage King User Dashboard ("SKUD") which transforms data into actionable insights for the licensees, and an e-commerce platform which is fully integrated with the website and available self storage units in real time to provide an enhanced customer experience.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(q) Trade and other payables**

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

**(r) Dividends**

The Company generally distributes its distributable assessable income to its shareholders. Such distributions are determined by reference to the taxable income of the respective companies. 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 shareholders but are retained to be offset against any future realised capital gains.

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

**(s) Taxation***Company income tax*

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(s) Taxation (Continued)**

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

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

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

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

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

*New Zealand*

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

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.

**(t) Earnings per share (EPS)**

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

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

- costs of servicing equity (other than distributions);
- the after tax effect of dividends and interest associated with dilutive potential shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential shares; divided by the weighted average number of shares and dilutive potential shares, adjusted for any bonus element.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 19. 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	53,105	46,160
- Other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	115,000
- Other services		
- due diligence services	46,350	-
	<b>99,455</b>	<b>161,160</b>

### 20. EVENTS AFTER BALANCE SHEET DATE

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



## **DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- a. the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 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 18(b); and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board



Myra Salkinder  
Chair  
Sydney, 18 August 2021



Steven Sewell  
Managing Director

## Independent Auditor's Report to the Members of Abacus Storage Operations Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Abacus Storage Operations Limited (the Company), and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 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.

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.

## Investment Properties

### Why significant

The Group's total assets include investment properties 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 5, 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 5 in assessing the property valuations at 30 June 2021.

### How our audit addressed the key audit matter

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.

#### 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 25.
- We have considered the associated financial report disclosures, in particular those relating to valuation uncertainty.

## Acquisition of Storage King

### Why significant

As at 30 June 2020, the Group held a 25% interest in a self-storage management business, Storage King Corporate Holdings Pty Limited. In November 2020, the Group acquired the remaining 75% interest. The total consideration for the acquisition of the 75% interest was \$50.6m.

Accounting for this transaction involves a series of complex judgements requiring the Group to:

- determine the fair value of the acquired assets and liabilities; and
- allocate the purchase consideration to goodwill and separately identifiable intangible assets.

We considered this a key audit matter due to the number of judgments required in determining the above matters.

Disclosure of business combination and the goodwill arising on the acquisition is included in Note 17 of the financial report.

Disclosure of the Group's accounting policy related to goodwill and intangibles is included in Note 18(o) of the financial report.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed whether the transaction was accounted for as a business combination in accordance with Australian Accounting Standards.
- We read the underlying contract and agreed the purchase consideration paid to bank statement.
- We assessed the Group's accounting for the transaction including:
  - Assessed the determination of fair values of identifiable assets and liabilities acquired;
  - Assessed the identification of intangible assets acquired as part of the transaction as performed by management and their external valuer to ensure that they have considered the factors required by Australian Accounting Standards;
  - Evaluated the key assumptions underlying the valuation of the identified intangible assets, including forecast revenue and costs, discount rate and other relevant factors.
  - Assessed the allocation of the purchase price to all assets and liabilities including the calculation of the resulting goodwill;
  - Assessed the qualifications, competence and objectivity of the valuer.

Our valuation specialists were involved in the performance of the above procedures.

We have considered the financial report disclosures in relation to the business combination and associated goodwill and other intangibles.

## 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:

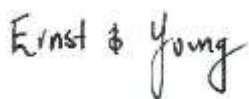
- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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



Anthony Ewan  
Partner  
Sydney  
18 August 2021

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