ABACUS STORAGE OPERATIONS LIMITED
INTERIM FINANCIAL REPORT

31 December 2022

ABACUS

HALF-YEAR FINANCIAL REPORT

31 December 2022

Directory

Abacus Storage Operations Limited
ABN: 37 112 457 075

Registered Office
Level 13, 77 Castlereagh Street
SYDNEY NSW 2000
Tel: (02) 9253 8600
Fax: (02) 9253 8616
Website: www.abacusgroup.com.au

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

Share Registry:
Boardroom Pty Ltd
Level 8, 210 George St
SYDNEY NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459

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It is recommended that this Half-Year Financial Report should be read in conjunction with the Half-Year Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 31 December 2022 and Abacus Group's 30 June 2022 Annual Financial Report. It is also recommended that the report be considered together with any public announcements made by the Abacus Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

DIRECTORS' REPORT

31 December 2022

The Directors present their report for the period ended 31 December 2022.

DIRECTORS

The Directors of Abacus Storage Operations Limited ("ASOL" or the "Company") in office during the half-year and until the date of this report are as follows.

Myra Salkinder	Chair (Non-executive)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director
Mark Bloom	Non-executive Director
Mark Haberlin	Non-executive Director (Lead Independent)
Sally Herman	Non-executive Director (appointed 16 December 2022)
Holly Kramer	Non-executive Director (resigned 23 November 2022)
Jingmin Qian	Non-executive Director

Directors were in office for this entire period unless otherwise stated.

STRUCTURE AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the period ended 31 December 2022 was the operation of selfstorage facilities in Australia and New Zealand.

ASOL is a stapled entity of Abacus 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.

REVIEW AND RESULTS OF OPERATIONS

The Company earned a statutory net profit after tax of $8.7 million for the half-year ended 31 December 2022 (December 2021: $21.4 million). This profit has been calculated in accordance with Australian Accounting Standards.

Valuations

The ASOL's investment property portfolio was revalued at period end which resulted in a loss of $38.4 million or 12.0% in the six months to 31 December 2022. The investment property portfolio's overall weighted average capitalisation rate unchanged from 5.25% to 5.25%. The investment portfolio (excluding equity accounted properties) is now valued at $320.8 million of self storage facilities across 3 assets.

As part of the portfolio valuation process for the period ended 31 December 2022, none of the 3 investment properties (excluding equity accounted properties) or 0% by number were independently valued. All properties were subject to internal valuation and, where appropriate, their values were adjusted.

The current economic environment is being driven by high inflation and rising interest rates. This may provide the Company opportunities to acquire core assets with medium to long term growth prospects.

ASOL's existing established self storage portfolio remains somewhat resilient, achieving rental income growth partially offset by marginal yield expansion over the past six months.

DIRECTORS' REPORT

31 December 2022

CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Company increased $0.3 million to $84.4 million compared to $84.1 million as at 30 June 2022 due to shareholders' participation in the distribution reinvestment plan during the period.

Total equity increased by $9.5 million to $250.0 million at 31 December 2022 compared to $240.5 million at 30 June 2022.

DIVIDENDS

There were no dividends paid by the company during the period (December 2021: nil).

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than as disclosed already in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the half-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.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 4.

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

Myra Salkinder
Chair
Sydney, 16 February 2023

Steven Sewell
Managing Director

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

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

Auditor's Independence Declaration to the Directors of Abacus Storage Operations Limited

As lead auditor for the review of the half-year financial report of Abacus Storage Operations Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

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

b) No contraventions of any applicable code of professional conduct in relation to the review; and

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

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

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
16 February 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	31 Dec 2022 $'000	31 Dec 2021 $'000
REVENUE			
Rental income		83,294	64,284
Finance income		1,673	-
Fee Income		8,685	7,497
Merchandising income		4,987	5,210
Total Revenue		**98,639**	**76,991**
OTHER INCOME			
Net change in fair value of property, plant and equipment derecognised		9	8
Net change in fair value of investment properties held at balance date		(38,387)	(7,926)
Total Revenue and Other Income		60,261	69,073
Operating expenses		(19,618)	(14,782)
Management and supervision fees		(9)	(2)
Depreciation and amortisation expense		(1,513)	(1,339)
Impairment charges		-	(1,640)
Finance costs		(4,642)	(1,978)
Administrative and other expenses		(21,560)	(17,999)
PROFIT BEFORE TAX		12,919	31,333
Income tax expense		(4,160)	(9,940)
NET PROFIT AFTER TAX		8,759	21,393
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation adjustments, net of tax		405	(6)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,164	21,387
Basic and diluted earnings per share (cents)	1	0.98	2.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	31 Dec 2022 $'000	30 Jun 2022 $'000
CURRENT ASSETS			
Cash and cash equivalents		21,201	38,033
Trade and other receivables		7,471	6,727
Other		4,629	3,126
TOTAL CURRENT ASSETS		33,301	47,886
NON-CURRENT ASSETS			
Loans		82,900	61,446
Other receivables		13,224	9,658
Investment properties	2	320,804	346,604
Property, plant and equipment	6	23,255	20,212
Intangible assets and goodwill		72,622	72,953
TOTAL NON-CURRENT ASSETS		512,805	510,873
TOTAL ASSETS		546,106	558,759
CURRENT LIABILITIES			
Trade and other payables		26,880	25,842
Income tax payable		927	2,808
Lease liabilities		85,985	81,109
Other		3,007	3,404
TOTAL CURRENT LIABILITIES		116,799	113,163
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	3	66,303	58,848
Deferred tax liabilities		45,525	44,310
Lease liabilities		65,831	100,388
Other		1,609	1,540
TOTAL NON-CURRENT LIABILITIES		179,268	205,086
TOTAL LIABILITIES		296,067	318,249
NET ASSETS		250,039	240,510

	Notes	31 Dec 2022 $'000	30 Jun 2022 $'000
EQUITY			
Contributed equity	5	84,424	84,059
Reserves		(172)	(577)
Retained earnings		165,787	157,028
TOTAL EQUITY		250,039	240,510

CONSOLIDATED STATEMENT OF CASH FLOW

HALF-YEAR ENDED 31 DECEMBER 2022

	31 Dec 2022 $'000	31 Dec 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	94,450	80,592
Interest received	1,846	-
Income tax paid	(4,813)	(1,837)
Finance costs paid	(1,556)	(1,974)
Operating payments	(39,923)	(36,460)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**50,004**	**40,321**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Payments for investments and funds advanced	(21,626)	-
Purchase of property, plant and equipment	(4,040)	(3,799)
Disposal of property, plant and equipment	9	8
Payments for investment properties and capital expenditure	(12)	(198)
Payment for other investments	-	(4)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(25,669)**	**(3,993)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of issue costs	(4)	-
Repayment of principal portion of lease liabilities	(49,063)	(31,292)
Repayment of borrowings	(24,633)	(4,129)
Proceeds from borrowings	32,460	17,000
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES	**(41,240)**	**(18,421)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,905)	17,907
Net foreign exchange differences	73	24
Cash and cash equivalents at beginning of period	38,033	16,019
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**21,201**	**33,950**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2022

	Attributable to the shareholder			
CONSOLIDATED	Issued capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2022	84,059	(577)	157,028	240,510
Other comprehensive income	-	405	-	405
Net income for the period	-	-	8,759	8,759
Total comprehensive income for the period	-	405	8,759	9,164
Issue costs	(2)	-	-	(2)
Distribution reinvestment plan	367	-	-	367
At 31 December 2022	**84,424**	**(172)**	**165,787**	**250,039**

	Attributable to the shareholder			
CONSOLIDATED	Issued capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2021	61,100	(65)	114,956	175,991
Other comprehensive income	-	(6)	-	(6)
Net income for the year	-	-	21,393	21,393
Total comprehensive income for the year	-	**(6)**	**21,393**	**21,387**
Distribution reinvestment plan	3,776	-	-	3,776
At 31 December 2021	**64,876**	**(71)**	**136,349**	**201,154**

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31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 2022

Abacus Storage Operations Limited ("ASOL" or the "Company") is a member of the Abacus 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 half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 16 February 2023.

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

NOTES TO THE FINANCIAL STATEMENTS – Segment Information

31 DECEMBER 2022

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

	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from external customers		
Rental, Fee and merchandising income	96,966	76,991
Finance income	1,673	
Total revenue from external customers	**98,639**	**76,991**

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

31 DECEMBER 2022

1. EARNINGS PER SHARE

	31 Dec 2022	31 Dec 2021
Basic and diluted earnings per share (cents)	0.98	2.59
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit ($'000)	**8,759**	**21,393**
Weighted average number of shares:		
Weighted average number of shares for basic earning per share ('000)	893,250	827,324

2. INVESTMENT PROPERTIES

	31 Dec 2022 $'000	30 Jun 2022 $'000
Right-of-use property assets	151,751	181,496
Freehold investment properties	169,053	165,108
Total investment properties	**320,804**	**346,604**

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 4:

	Non-current	
Investment Properties	31 Dec 2022 $'000	30 Jun 2022 $'000
Carrying amount at beginning of the period	346,604	289,726
Additions and capital expenditure	11	407
Additions of right of use assets	11,529	86,310
Net change in fair value as at balance date	3,933	41,342
Net change in fair value of right-of-use investment properties as at balance date	(42,320)	(70,250)
Effects of movements in foreign exchange	1,047	(931)
Carrying amount at end of the period	**320,804**	**346,604**

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. INVESTMENT PROPERTIES (continued)

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.

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 Chief Investment Officer 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 5.25% (30 June 2022: 5.25%)

The current occupancy rate for self-storage assets is 87.3% (30 June 2022: 90.2%)

The property valuations have been prepared based on the information that is available at 31 December 2022.

In the event that there are any unanticipated material circumstances, this may impact the fair value of the Company's investment property portfolio, and the future price achieved if a property is divested. The potential effect of a decrease / increase in weighted average capitalisation rate of 25 bps on property valuation would have the effect of increasing the fair value by up to $8.5 million or decrease the fair value by $7.7 million respectively.

During the half-year ended 31 December 2022, none of the properties in the portfolio were subject to external valuations (31 December 2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2022 $'000	31 Jun 2022 $'000
(a) Non-current		
Bank loans - A$	66,303	33,843
Related party loans - A$	-	25,005
	66,303	**58,848**

	31 Dec 2022 $'000	31 Jun 2022 $'000
(b) Maturity profile of current and non-current interest bearing loans		
Due between one and five years	66,303	42,876
Due after five years	-	15,972
	66,303	**58,848**

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

Bank loans are $A denominator and provided at interest rates which are set periodically on a floating basis. The term to maturity is between July 2023 to July 2027. The bank loans are secured by charges over the investment properties and certain property, plant and equipment. None of the bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity 3.7 years (30 June 2022: 4.4 years).

The Company's weighted average interest rate on non-related borrowings as at 31 December 2022 was 3.88% (30 June 2022: 1.97%).

4. FINANCIAL INSTRUMENTS

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	Discount rate Net Operating income Adopted capitalisation rate Rate per unit Optimal occupancy
Property, plant and equipment	Level 3	Income capitalisation method	Net market EBITDA Optimal occupancy Adopted capitalisation rate

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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.

5. CONTRIBUTED EQUITY

(a) Issued shares	31 Dec 2022 $'000	30 Jun 2022 $'000
Shares	85,104	84,737
Issue costs	(680)	(678)
Total contributed equity	84,424	84,059

	Shares	
	Number	Number
(b) Movement in shares on issue	31 Dec 2022 '000	30 Jun 2022 '000
At beginning of financial year	892,429	818,591
- equity raisings	-	60,145
- distribution reinvestment plan	1,229	13,693
Shares on issue at end of period	893,658	892,429

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2022 $'000	30 Jun 2022 $'000
Plant and equipment		
At the beginning of the period, net of accumulated depreciation	20,212	19,239
Additions	4,041	3,305
Effect of movements in foreign exchange	185	(163)
Depreciation charge for the period	(1,183)	(2,169)
At the end of the period net of accumulated depreciation	**23,255**	**20,212**
Gross value	35,017	30,721
Accumulated depreciation	(11,762)	(10,509)
Net carrying amount at end of period	**23,255**	**20,212**

7. COMMITMENTS AND CONTINGENCIES

At 31 December 2022 the Company had bank guarantees issued but not recognised as liabilities as follows:

	31 Dec 2022 $'000	30 Jun 2022 $'000
Bank guarantees		
- redevelopment of investment properties	38	38
	38	38

There are no contingent assets or liabilities at 31 December 2022 other than as disclosed in this report.

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Financial Report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Abacus Group for the year ended 30 June 2022. It is also recommended that the half-year financial report be considered together with any public announcements made by the Abacus Group during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 30 June 2022 except for the adoption of new standards and interpretations effective as of 1 July 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 2022.

There are several amendments and interpretations apply for the first time on 1 July 2022 as follows, but they do not have an impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

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

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (effective for annual reporting periods 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 they had no impact on consolidated financial statements of the Company.

  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 had no impact on the consolidated financial statements of the Company.

  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 had no impact on the consolidated financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

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

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

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

These amendments had no impact on the consolidated financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

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

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

- AASB 2020-1, AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current (effective for annual reporting periods from 1 January 2024)

  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 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require amendments.

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

  The amending standard made amendments to the following standards:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

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

Definition of Accounting Estimates – Amendments to AASB 108

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

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

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

9. 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 period 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 and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including :

- (i) giving a true and fair view of the financial position as at 31 December 2022 and the performance for the half-year ended on that date for the consolidated entity; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

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

On behalf of the Board

Myra Salkinder
Chair
Sydney, 16 February 2023

Steven Sewell
Managing Director

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

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

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

Conclusion

We have reviewed the accompanying half-year 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 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
16 February 2023