ASX RELEASE

24 AUGUST 2023

STANDALONE FINANCIAL STATEMENTS: ABACUS STORAGE OPERATIONS LIMITED (ASOL) AND ABACUS STORAGE PROPERTY TRUST (ASPT)

Abacus Storage King (ASX: ASK) securityholders are advised of the attached standalone financial statements. These are standalone financial statements of each of ASPT and ASOL and the intercompany transactions and balances are not eliminated. Users should refer to segment reporting and notes 21, 5 and 16 to the Abacus Group (ASX: ABG) consolidated financial statements for consolidated financial performance and position of the ASK segment as of 30 June 2023.

ASK securityholders are referred to the Resources Section of the ASK Website for the ABG full year reporting suite at the following link: https://abacusgroup.com.au/investor-centre/abacus-storage-king/resources/

END

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Authorised for release by Lucy Spenceley, Company Secretary ASX: ASK

ABACUS STORAGE OPERATIONS LIMITED

ABN 37 112 457 075

FINANCIAL REPORT

30 June 2023

ABACUS

ANNUAL FINANCIAL REPORT

30 JUNE 2023

Directory

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ABN: 37 112 457 075

Registered Office:
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Directors:
John O'Sullivan, Chair
Steven Sewell, Managing Director
Karen Robbins
Mark Bloom
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Company Secretary:
Lucy Spenceley

Auditor (Financial and Compliance Plan):
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SYDNEY NSW 2000

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Boardroom Pty Ltd
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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Property Group, Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust and Abacus Storage Property Trust as at 30 June 2023. 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 2023

The Directors present their report together with the consolidated financial report of Abacus Storage Operations Limited ("ASOL" or the "Company") for the year ended 30 June 2023 and the auditor's report thereon.

PRINCIPAL ACTIVITIES AND STRUCTURE

The Company operates predominantly in Australia and New Zealand and its principal activities during the course of the year ended 30 June 2023 included the operation of Self Storage facilities to drive rental income.

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 Australian Accounting Standards Board ("AASB") and the International Accounting Standards Board ("IASB") respectively. It should be read in conjunction with the financial statements and accompanying notes.

Corporate Structure

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

Abacus comprised Abacus Group Holdings Limited ("AGHL"), Abacus Trust ("AT"), Abacus Group Projects Limited ("AGPL"), Abacus Income Trust ("AIT"), Abacus Storage Operations Limited and Abacus Storage Property Trust ("ASPT"). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT had been stapled together so that none could be dealt without the others. An Abacus security consisted 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 required while they continued to be stapled, a corresponding transfer, issue or reorganisation of a share or unit in each of the other component parts.

ASOL is incorporated and domiciled in Australia.

OPERATING AND FINANCIAL REVIEW

ASOL STRATEGY

ASOL is positioned as a strong asset backed business with key investments concentrated in the Self Storage sector. ASOL invests its capital in assets that are forecasted to drive long term total returns and securityholder value, with an investment objective to provide its investors with reliable asset backing, and increasing returns over the medium to longer term.

DIRECTORS' REPORT
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ASOL STRATEGY (continued)

TO CONCENTRATE ON SELECT REAL ESTATE SECTORS THAT DELIVER LONG-TERM, SUSTAINABLE OUTCOMES THROUGH ACTIVE INVESTMENT AND ASSET MANAGEMENT, AND A STRONG FOCUS ON CUSTOMER AND BRAND AWARENESS.

VISION

To create exceptional value for our customers and stakeholders through the ownership and management of real estate and as operators of storage locations

STRATEGY

To concentrate on select real estate sectors that deliver long-term, sustainable outcomes through active Investment and Asset Management, and a strong focus on Customer and Brand awareness

Investment management
Strategically invest in assets in all major markets with a clear path to sustainable income growth

Asset management
Provide Commercial and Self Storage space solutions with compelling value propositions for our customers

Customer and brand management
Through close engagement with customers, deliver best in class Commercial and storage services that meet their evolving needs. In doing so, build the Storage King brand to be the most recognisable and valued in the market

VALUES

We are entrepreneurial and deliver innovative and informed market insights and solutions

We are responsible and aim to do the right thing and make a positive difference

We are accountable and answerable for our actions and decisions

CORE BUSINESS

INVESTMENT MANAGEMENT	ASSET MANAGEMENT	CUSTOMER + BRAND MANAGEMENT

ENABLERS

OUR PEOPLE AND CULTURE	OUR REPOSITIONING CAPABILITY	OUR MARKET INSIGHT

AREAS OF FOCUS AND OPPORTUNITY

CUSTOMER ENGAGEMENT	RESPONSIBLE AND SUSTAINABLE EVOLUTION OF CORE BUSINESS
CONTINUED CULTURE OF TEAMWORK, COLLABORATION AND INCLUSION	TECHNOLOGY APPLICATIONS
STRATEGIC PARTNERING	STRONG AND STABLE BALANCE SHEET WITH FLEXIBLE FINANCING OPTIONS

DIRECTORS' REPORT
30 JUNE 2023

ASOL STRATEGY (continued)

ASOL looks for investments in the Self Storage sector that can provide strong and stable cash-backed distributions, with potential for capital and income growth. Despite a more challenging economic outlook, we remain confident that ASOL is positioned to leverage our key enablers, being:

- Our people and culture, repositioning capability and market insight.
- Strategic investment in assets in major markets with a clear path to sustainable income growth.
- Driving value through active management of the asset portfolio.

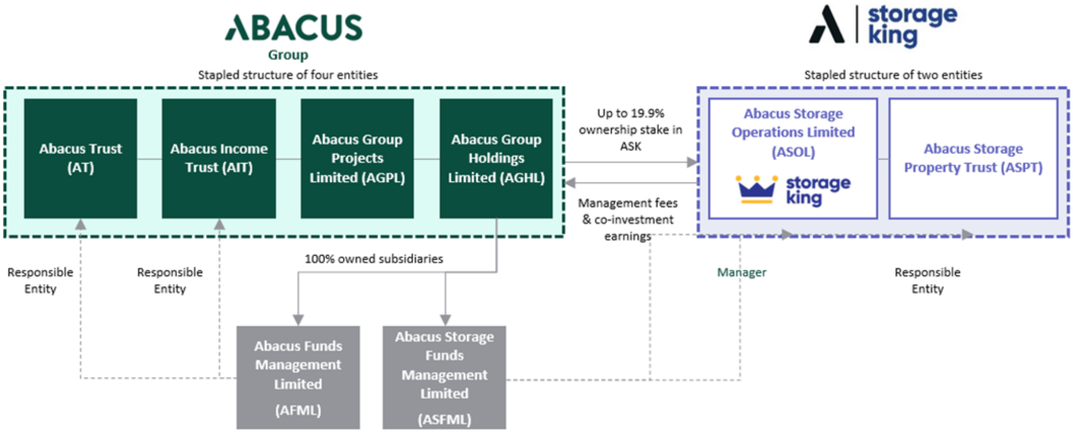
ASOL has a track record of acquiring property-based assets and actively managing those assets to enhance income and thereby driving capital growth.

Post Balance Date De-Stapling

On 27 July 2023, securityholders voted to de-staple Abacus to create two listed separate groups:

- Abacus Group (which will trade under ASX:ABG) comprising AGHL, AT, AGPL and AIT; and
- Abacus Storage King (which will trade under ASX:ASK) comprising ASOL and ASPT.

Abacus Group and Abacus Storage King structures post de-stapling



As a result of the de-stapling, each existing Abacus Property Group securityholder holds one stapled security in Abacus Group and one stapled security in Abacus Storage King for each Abacus Property Group security held on 2 August 2023.

The de-stapling allows for the creation of Abacus Storage King as a dedicated Self Storage operating platform and real estate investment group. It will also provide Abacus Property Group Securityholders with sector specific exposure to the Storage King operating platform and to a $3.1 billion Investment Portfolio including 131 Self Storage Properties and Other Investments. Refer to the diagram above for an overview of Abacus Group and Abacus Storage King structures post de-stapling.

DIRECTORS' REPORT

30 JUNE 2023

COMPANY RESULTS SUMMARY

2023 was a period of volatility. We transitioned into an environment of higher inflation, driving a significant increase in the cost of living. To combat the higher inflation, the RBA cash rate rose 325 basis points throughout the financial year to 4.10%, becoming the fastest RBA hiking cycle on record.

The Company earned a statutory net profit of $20.7 million for the year ended 30 June 2023 (2022: $42.1 million). The decrease in the Company's statutory net profit compared to the prior year was principally due to the change in fair value of investment properties held at balance date.

Total property assets at 30 June 2023 were $288.7 million (2022: $346.6 million). The total assets as at 30 June 2023 were $512.7 million (2022: $558.8 million).

The impact of the Company's performance which includes fair value adjustment on its financial position were as follows:

	2023	2022
Total assets ($ million)	512.7	558.8
Net assets ($ million)	261.8	240.5

The increase in net assets of the Company by 8.8% reflects the improved performance compared to the previous year. The decrease in total assets of the company by 8.2% is due to the fair value adjustments in the right of use assets (AASB 16). During the period, the Company maintained full control of the Self Storage management business of Storage King.

Capital management and allocation

During the year, ASOL extended the earliest dated tranches of its Self Storage syndicated facility by one year to July 2024. ASOL has no bank debt expiring in the financial year ending 30 June 2024, with the majority of debt expiring from the financial year ending 30 June 2025 onwards.

In conjunction with the de-stapling, Abacus completed a fully underwritten 1-for-5.6 pro rata security offer in Abacus Storage King at an issue price of $1.41 per stapled Abacus Storage King security which raised $225 million received in August 2023.

The $225 million raising, as well as the completed de-stapling, allow for optimisation of the capital structure for both Abacus Group and Abacus Storage King, as each entity now has the flexibility to further differentiate their capital structures and distribution policies to appropriately reflect their financial, operational and strategic objectives.

PROPERTY RESULTS SUMMARY

Properties owned or operated by ASOL delivered rental income of $176.4 million for the year (2022: $147.7 million). This represented an increase of 19.3%. The Self Storage portfolio equated to $288.7 million which is made up of 107 leasehold assets and 3 freehold assets.

Property portfolio

- $288.7 million of properties across the total assets (2022: $346.6 million)
- Portfolio capitalisation rate: 5.25% (2022: 5.25%)
- Portfolio occupancy: 86.2% (2022: 90.2%)

The portfolio offers embedded long term capital and earnings growth that ASOL is focused on delivering through the property cycle. ASOL is focused on maintaining revenue and cash flows to support shareholder dividends but nevertheless being conscious of the market's leasing requirements and competitive offerings.

DIRECTORS' REPORT

30 JUNE 2023

PROPERTY RESULTS SUMMARY (continued)

Valuations

As part of the portfolio valuation process, 100% of the freehold properties were independently valued during the year to 30 June 2023. The valuation process resulted in a net full year revaluation gain of $10.6 million (2022: $41.3 million gain).

The investment property portfolio's overall weighted average capitalisation rate remains the same at 5.25%. The investment portfolio is now valued at $175.7 million of Self Storage facilities across 3 assets.

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 twelve months.

We saw a continuation of macroeconomic tailwinds supporting Self Storage sector growth in 2023. These include:

- **Limited supply for Self Storage space**: there is only 2.16sqft of Self Storage per capita available in Australia and 2.61sqft in New Zealand, compared to the more mature US market of 7.21sqft.
- **Densification of residential property and changes in consumer preferences:** with a greater focus on increasing utilisation in the home - rising housing density results in a higher concentration of dwellings and less available space per household, increasing demand for offsite storage. Changes in consumer preferences towards apartment living and a higher proportion of adults renting further supports housing turnover, mobility and therefore demand for offsite storage.
- **Increased awareness and take-up:** Self Storage usage in Australia and New Zealand increased to 9.4% of the total adult population in 2021, up from 8.6% in 2020 and 5.0% in 2013. Further, Storage King is the most recognised Self Storage brand across Australia and New Zealand, which may be leveraged to further acquire assets as industry consolidation continues.
- **The rise of e-commerce leading to increased business usage:** The way people are using Self Storage is changing, with business usage on the rise. Supply chain challenges, the structural uplift in online sales penetration post-COVID and the growing importance of last-mile distribution all present opportunities for Self Storage.

Finance portfolio

Total non-current loans at 30 June 2023 were $76.3 million (2022: $61.4 million). Total loan is provided to related members within the Group. The loan is unsecured and the average interest rate is 3.79% (2022: 8.00%). The interest earned on all loans during the year was $3.6 million (2022: $2.1 million). The loan was repaid subsequent to year end.

FUTURE PROSPECTS

The de-stapling process will enable more optimised capital structures for both Abacus Group and Abacus Storage King, with both entities expected to have reduced Adjusted Gearing at the lower end of their respective target ranges. This is expected to provide balance sheet capacity to fund growth initiatives for both entities.

Abacus Storage King's forecast level of gearing and liquidity post de-stapling will enable it to pursue its strategy and to take advantage of any short-term volatility in the market, which is anticipated in this fluctuating macro-economic environment. Abacus Storage King's liquidity can potentially be further leveraged, to invest in a larger number of projects through joint venture arrangements.

DIRECTORS' REPORT

30 JUNE 2023

KEY RISKS

Key Risk Areas

In the last year there has been notable change in the material and relevant risks affecting ASOL:

- **WHS:** Workplace health and safety remains a key priority and ongoing risk for ASOL to ensure that our staff, customers and contractors are safe. Areas of particular focus are the operational activities within the Storage King Self Storage portfolio. Significant improvement to our processes and systems has been made in the year to help mitigate this risk.
- **Cybersecurity:** During the year there have been a number of cyber attacks on Australian companies that has caused loss of customer data and disruption to businesses. ASOL remains vigilant to ongoing cyber-attacks with improvements to our processes and systems and ongoing training for our staff.
- **Interest rates and inflation:** Higher inflation and the consequent increase to interest rates creates an increase in the cost of operating the business and higher bank interest on our borrowings, to the extent that they are not hedged. Higher interest rates may also have the result of reducing the value of our property assets.
- **Storage demand:** Subdued consumer and business sentiment has the potential to reduce the demand for Self Storage space at our properties.

The table below outlines some of ASOL's key risk areas. The list is not exhaustive, and ASOL's performance may be affected adversely by any of these risks and other factors. The table also describes some of the key management actions being taken to ensure such risks are taken in line with the Risk Appetite Statement.

Key Risk	Impact of risk	How ASOL manages it
Strategic Risk ASOL activities and transactions are aligned with the approved strategy so to ensure that financial and operational results are within expected and planned outcomes.	• Lower than expected return on capital • Reduced investor sentiment	The ASOL Board and management review and confirm ASOL strategy and risk profile on a periodic basis and has a number of processes and controls to ensure the strategic direction of ASOL is maintained.
Governance Risk ASOL is reliant on an effective and balanced governance approach to people, conduct, and processes through oversight, controls, checks, and subject matter experts.	• Loss of income or asset values • Financial performance of assets • Financial damage	ASOL has a number of governance controls and processes implemented across ASOL, with some aspects including monitoring, reporting, and training in respect of conduct, staff skills, and processes.
Regulatory, Compliance & Legal Risk ASOL is responsive to regulatory change and strives to operate in accordance with its regulatory and legal obligations.	• Increased compliance costs • Regulatory restrictions impacting on business operations	ASOL has a number of controls and arrangements in place to ensure compliance with its legal and regulatory obligations. Some aspects include monitoring, testing, and reviewing through dedicated compliance plans, which are also subject to external review.

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KEY RISKS (continued)

Key Risk	Impact of risk	How ASOL manages it
Operational Risk – Asset and Development Management, Acquisition and Capital Investment ASOL's operational systems are developed and implemented with operational controls embedded to ensure best practice and the opportunity for ongoing success.	• Financial performance of assets • Reduced investor sentiment • Financial damage	ASOL has a number of controls and processes in place to ensure assets are maintained to the required standard and in accordance with documented asset management protocols. ASOL has documented processes for the assessment of capital expenditure, development activities and property acquisitions and disposals.
Operational Risk – Cyber and Information Technology ASOL aims to leverage technology and innovation to enhance the customer experience while developing responsive strategies to prevent cyber incidents and attacks.	• Lost productivity as a result from a material critical technology disruption • Reduced market competitiveness from a failure to adapt to changes in advancements in technology • Regulatory restrictions impacting on business operations	ASOL has a number of controls, arrangements, and recovery plans in place over information and technology assets, as well as active monitoring of its digital footprint. ASOL also develops strategies to continue to incorporate technological innovations into assets. Regular training is provided to staff to ensure continued awareness of cyber risks.
Operational Risk – Health and Safety Ensuring the health, safety and wellbeing of ASOL's people is of utmost importance to the success of its strategy.	• Material harm to people • Reputational impact • Civil and criminal penalties and regulatory restrictions imposed • Costs and effort to remediate	ASOL has arrangements and controls in place to ensure that safety risks, hazards, and incidents are reported and addressed, and that assets have embedded systems and processes to ensure safe operation. The Board has a Sustainability and WHS sub-committee to monitor these risks.
Operational Risk – People and Culture The motivation, high-performance and capability of ASOL's people are integral to the success of its business outcomes.	• Workforce costs • Workforce productivity • Loss of corporate knowledge • Ability to attract and retain talent	ASOL has a number of controls, processes, and strategies in place to ensure people recruited are aligned to ASOL's culture and are continually developed to meet the needs of the business and ensure appropriate succession planning. ASOL also regularly monitors and maintains a positive workplace culture in line with its values. All staff are required to adhere to the Code of Conduct.

DIRECTORS' REPORT
30 JUNE 2023

KEY RISKS (continued)

Key Risk	Impact of risk	How ASOL manages it
Operational Risk – Strategic Partnerships and Management Arrangements Maintaining professional relationships with like minded property groups, licensees and service providers is critical to the success and growth of the business.	• Reputational damage • Financial damage • Inability to attract new partnerships	ASOL has periodic meetings to ensure strategic alignment with our property co-owners and foster a collaborative approach to growth opportunities. ASOL has controls, processes and strategies in place to ensure that obligations to be provided by third parties to ASOL and obligations to be provided by ASOL to others are appropriately discharged.
Environmental and Sustainability Risk Climate change is expected to affect ASOL's assets while also presenting an opportunity to prepare for and build resilience across its portfolio.	• Higher operating costs or requiring remedial capital costs, leading to a potential devaluation • Reputational damage • Reduced investor sentiment	ASOL has developed and implemented a number of controls and strategies to ensure that environmental issues are incorporated into decision-making process when acquiring assets and as part of the ongoing management of each asset. Active strategies are in place to ensure that insurance cover is optimised for climate risk affected properties.
Market and Investment Risk ASOL incorporates appropriate oversight and controls over key decisions in acquisitions, disposals, capital management, and valuations so to ensure the best risk adjusted returns are achieved.	• Lowered expected returns on investment • Reduced investor sentiment	ASOL has a number of controls and processes in place that reviews and approves significant transactions and assesses their alignment with the strategy. In addition, other aspects include controls over capital planning, forecasting, budgeting, and development activities.
Liquidity, Capital Management, and Financial Performance and Reporting Risk ASOL maintains a diversified capital structure to support stable investor returns as well as appropriate access to equity and debt funding.	• Limited capacity to execute strategy • Increased cost of funding • Reduced availability of debt financing	ASOL has a number of controls and processes in place over capital management to monitor, manage and stress test property valuations, interest rate changes, funding requirements, liquidity buffers, and credit risk with regular reporting to the Board and internal Committees. ASOL has documented policies and operational procedures with controls embedded over material risks as well as external advisory in place over treasury activities including interest rate hedging.

DIRECTORS' REPORT

30 JUNE 2023

KEY RISKS (continued)

Environmental, Social and Governance Risks

ASOL continues to progress its governance policies and procedures regarding Environmental, Social and Governance ('ESG') risks across the business. We recognise the growing importance of ESG across all facets of the business and as such it remains a key focus area for our Executive Committee, Board and Sustainability Committee. We continue to progress with our net zero emissions target by 2050 currently, with climate related risks being a consideration in all investment decisions across the business. We continue to progress our understanding of the operating and capital costs for each of our properties that may be impacted by climate change. Being a good corporate citizen underpins our social responsibilities and we adhere by relevant laws and ASOL policies to mitigate social risks, with modern slavery representing a major risk in this area. ASOL also practices strong governance throughout the business, with robust governance policies in place that provide the framework for decision-making within the Group.

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) (retired 3 August 2023)
John O'Sullivan	Chair (Non-executive) (appointed 13 June 2023)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director (retired 3 August 2023)
Mark Bloom	Non-executive Director
Stephanie Lai	Non-executive Director (appointed 13 June 2023)
Karen Robbins	Non-executive Director (appointed 13 June 2023)
Mark Haberlin	Non-executive Director (Lead Independent) (retired 3 August 2023)
Sally Herman	Non-executive Director (appointed 15 December 2022) (retired 3 August 2023)
Holly Kramer	Non-executive Director (retired on 23 November 2022)
Jingmin Qian	Non-executive Director (retired on 3 August 2023)

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

Myra Salkinder MBA, BA Chair (non-executive)
Myra is a Non Independent, Non-Executive Director and is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of Kirsh Group's property and other investments, both in South Africa, Australia and internationally. Myra is a director of various companies associated with Kirsh Group worldwide.
Myra is a member of the Abacus Property Group Sustainability and WHS Committee and Abacus Property Group Nomination Committee.
Tenure: 12 years 3 months

Holly Kramer BA (Hons) Econ/Political Science, MBA (retired on 23 November 2022)
Holly was a Non-Executive Director and a member of the Abacus Property Group People Performance and Sustainability & WHS Committees.

DIRECTORS' REPORT

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DIRECTORS AND SECRETARY (continued)

John O'Sullivan BA, LLB (Sydney), LLM (London), FAICD
John has over 45 years' experience as a corporate lawyer, investment banker and company director. In his executive career, he was an M&A and corporate partner at the law firm now known as Herbert Smith Freehills for 20 years, General Counsel at Commonwealth Bank of Australia for 5 years and Executive Chairman of Credit Suisse Investment Banking and Capital Markets, Asia Pacific for 10 years. He was the lead lawyer or banker for transactions including the IPO of both Commonwealth Bank and Telstra, Commonwealth Bank's acquisitions of State Bank of Victoria, Colonial Limited and BankWest, as well as the merger of St George Bank and Advance Bank. In his non-executive career, John has been a director of AMP Limited and WestConnex. He is currently a non-executive director of The Lottery Corporation and non-executive Chairman of Serendipity Capital. John is also a member of the Takeovers Panel, a Fellow of the Australian Institute of Company Directors and a former member of its Corporate Governance Committee.
John is a member of the ASK Audit and Risk, Remuneration Committee and ASK Nomination Committee.
Tenure: 2 months

Steven Sewell BSc Managing Director
Steven joined Abacus Property Group 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 in listed and unlisted real estate funds management businesses, across various real estate sectors, providing Commercial experience and insight in relation to institutional investors, the whole Abacus Property Group's business and sector specialised investment strategies, capital allocation and developing third party capital relationships. Steven was appointed Abacus Property Group's Managing Director in April 2018, and is a member of Property Champions of Change and a member and past Chairman of the Shopping Centre Council of Australia.
Steven is a member of the ASK Nomination Committee.
Tenure: 5 years 2 months

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 experience includes direct and wholesale property roles at Colonial First State Property and Lendlease. Trent is also a Non-Executive Director of Landcom.
Trent is Chair of the Abacus Property Group People and Performance Committee and a member of the Abacus Property Group Audit and Risk Committee and Abacus Property Group Nomination Committee.
Tenure: 3 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 ASK People Performance Committee.
Tenure: 2 years

Stephanie Lai BBus, GAICD, CA
Stephanie has over 25 years' experience, is a Chartered Accountant, a former Transaction Services partner of Deloitte and KPMG and an experienced listed company Audit and Risk Committee Chair. Stephanie currently chairs the Audit and Risk Committees of HomeCo Daily Needs REIT, HealthCo Healthcare and Wellness REIT and Future Generation Australia. Stephanie is also a former Audit Committee Chair of Superloop.
Stephanie will be the Chair of the ASK Audit and Risk Committee and be a member of the ASK Remuneration Committee and ASK Nomination Committee.
Tenure: 2 months

DIRECTORS' REPORT

30 JUNE 2023

DIRECTORS AND SECRETARY (continued)

Karen Robbins LLB, CFA, GAICD
Karen has over 25 years of experience across the legal and finance industries, both in Australia and overseas. Karen has worked as a solicitor with UK magic circle firm, Linklaters, as well as in the structured finance business of Commonwealth Bank of Australia. Most recently she spent over 10 years running mergers, acquisitions and operations for the ASX-listed Challenger group's balance sheet business. Karen is a qualified (non-practicing) lawyer in England and Wales as well as a Chartered Financial Analyst and experienced board member. Karen is also currently a non-executive director of Cricket New South Wales.
Karen Robbins will be the ASK Chair of the Remuneration Committee and be a member of the ASK Audit and Risk Committee and ASK Nomination Committee.
Tenure: 2 months

Mark Haberlin BSc (Eng) Hons
Mark was a Non-Executive Director and was the 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 Australian Clinical Labs.
Mark was Chair of the Abacus Property Group Audit and Risk Committee and a member of the Abacus Property Group People and Performance Committee and Abacus Property Group Nomination Committee.
Tenure: 4 years 7 months

Sally Herman BA, GAICD (appointed December 2022)
Sally is a Non-Executive Director and joined the Abacus Property Group Board on 16 December 2022. Sally brings a wealth of expertise across property, financial services, retail and manufacturing sectors as a Non-Executive Director. Prior to that she had a successful executive career over 25 years, including 16 years with the Westpac Group in both Australia and the United States of America, running various operating divisions. Sally sits on both listed and not-for-profit boards, including Suncorp Group Limited, Premier Investments Limited, Breville Group Limited, Art Gallery of NSW Trust and Sydney Film Festival. She is also a member of Chief Executive Women.
Sally is a member of the Abacus Property Group People and Performance Committee, Abacus Property Group Sustainability and WHS Committee and Abacus Property Group Nomination Committee.
Tenure: 6 months

Jingmin Qian CFA, BEc, MBA, FAICD
Jingmin is a Non-Executive Director and has significant expertise in the property, infrastructure and investment sectors as well as rich experience in Asia, a director of Jing Meridian and specialises in advising boards and senior management on investment, cross-cultural management and governance. Jingmin has served as a member of the business liaison program of the Reserve Bank of Australia. Jingmin is a Non-Executive Director of IPH Limited, a trustee of HMC Capital Partner Fund, a member of Macquarie University Council, and Vice President of the Australia China Business Council. Jingmin is a member of Chief Executive Women.
Jingmin is Chair of the Abacus Property Group Sustainability and WHS Committee and a member of the Abacus Property Group Audit and Risk Committee and Abacus Property Group Nomination Committee.
Tenure: 6 years

Belinda Cleminson Company Secretary (effective 14 October 2022)
Belinda has over 20 years' experience as a Company Secretary of Australian listed and unlisted companies including ASX 200 clients. Belinda is the company secretary of various public and private companies, including ASX, NZX and OTC listed companies across a range of industries. Belinda is a member of the Governance Institute of Australia, and a Member of the Australian Institute of Company Directors.

DIRECTORS' REPORT

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DIRECTORS AND SECRETARY (continued)

Lucy Spenceley Company Secretary (effective 1 August 2023)
Lucy has worked in the finance industry for over 20 years, with 12 years in governance roles. Lucy has a Bachelor of Arts and is a member of the Governance Institute of Australia.

Rebecca Pierro Company Secretary (resigned 14 October 2022)

Directors' Meetings

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

	Board		Audit & Risk Committee		People Performance Committee		Sustainability & WHS Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Salkinder	11	11	-	-	-	-	4	4	2	2
T Alston	11	11	4	4	4	4	-	-	2	2
M Haberlin	11	10	4	4	4	4	-	-	2	2
J Qian	11	11	4	4	-	-	4	4	2	2
S Sewell	11	11	-	-	-	-	-	-	2	2
M Bloom	11	11	4	4	4	4	-	-	2	2
J O'Sullivan	2	2	-	-	-	-	-	-	-	-
K Robbins	2	2	-	-	-	-	-	-	-	-
S Lai	2	2	-	-	-	-	-	-	-	-
S Herman	7	7	-	-	2	2	2	1	1	1
H Kramer	3	3	-	-	2	2	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.

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shares to the total value of $0.3 million were issued during the year under the distribution reinvestment plan. The contributed equity of the Company at 30 June 2023 increased to $84.4 million from $84.1 million.

DIVIDENDS

There were no dividends paid by the Company during the year ended 30 June 2023 (June 2022: Nil).

DIRECTORS' REPORT

30 JUNE 2023

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 27 July 2023, securityholders voted to de-staple Abacus Storage King from Abacus Property Group with the de-stapling being completed on 4 August 2023.

In conjunction with the de-stapling, a fully underwritten 1-for-5.6 pro rata security offer in Abacus Storage King was completed at an issue price of $1.41 per stapled Abacus Storage King security which raised $225 million in August 2023.

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 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.

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.

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.

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

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is set out on page 55.

During the year, Ernst & Young provided non-audit services to the Company, as outlined in Note 19 of the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by this Act.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 19, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

John O'Sullivan Chair Sydney, 18 August 2023	Steven Sewell Managing Director

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

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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 ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

AEwan

Anthony Ewan
Partner
18 August 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
REVENUE			
Rental income		176,459	147,725
Finance income		3,689	2,064
Fee Income		17,879	15,900
Merchandising income		3,697	4,179
Total Revenue		**201,724**	**169,868**
OTHER INCOME			
Net change in fair value of financial instruments derecognised		100	-
Net change in fair value of derivatives		1,138	-
Total Revenue and Other Income		**202,962**	**169,868**
Net change in fair value of investment properties held at balance date	4	(74,805)	(28,908)
Net (loss) / gain on sale of property, plant and equipment		(35)	8
Operating expenses		(39,591)	(33,774)
Management, license and supervision fees		(17)	(14)
Depreciation, amortisation and impairment expense		(3,409)	(4,464)
Finance costs		(9,581)	(4,630)
Administrative and other expenses	2	(45,509)	(37,347)
PROFIT BEFORE TAX		30,015	60,739
Income tax expense	3(a)	(9,334)	(18,667)
NET PROFIT AFTER TAX		20,681	42,072
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation adjustments, net of tax		231	(512)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		20,912	41,560
Basic and diluted earnings per share (cents)	1	**2.31**	**4.97**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	20,169	38,033
Trade and other receivables		8,230	6,727
Derivatives at fair value		1,558	-
Other		4,246	3,126
TOTAL CURRENT ASSETS		**34,203**	**47,886**
NON-CURRENT ASSETS			
Loans	5	76,324	61,446
Other receivables		11,673	9,658
Investment properties	4	288,714	346,604
Property, plant and equipment	13	28,177	20,212
Intangible assets and goodwill	17	72,501	72,953
Derivatives at fair value		1,129	-
TOTAL NON-CURRENT ASSETS		**478,518**	**510,873**
TOTAL ASSETS		**512,721**	**558,759**
CURRENT LIABILITIES			
Trade and other payables		25,064	25,842
Income tax payable		142	2,808
Lease liabilities	14	86,812	81,109
Other		3,849	3,404
TOTAL CURRENT LIABILITIES		**115,867**	**113,163**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	8(a)	56,807	58,848
Derivatives at fair value		65	-
Deferred tax liabilities	3(c)	47,498	44,310
Lease liabilities	14	29,026	100,388
Other		1,671	1,540
TOTAL NON-CURRENT LIABILITIES		**135,067**	**205,086**
TOTAL LIABILITIES		**250,934**	**318,249**
NET ASSETS		**261,787**	**240,510**
Contributed equity	10	84,424	84,059
Reserves		(346)	(577)
Retained earnings		177,709	157,028
TOTAL EQUITY		**261,787**	**240,510**

CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		196,064	166,500
Interest received		3,861	1,562
Income tax paid		(8,833)	(3,548)
Finance costs paid		(9,587)	(4,669)
Operating payments		(82,146)	(73,372)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	**99,359**	**86,473**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments and funds advanced		(15,051)	(60,943)
Purchase of property, plant and equipment		(7,775)	(3,305)
Disposal of property, plant and equipment		49	8
Purchase of investment properties		(57)	(410)
Payment for other investments		(194)	(1,684)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(23,028)**	**(66,334)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	19,313
Payment of issue costs		(4)	(416)
Repayment of principal portion of lease liabilities		(91,129)	(64,423)
Repayment of borrowings		(26,016)	-
Proceeds from borrowings		22,964	47,545
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(94,185)**	**2,019**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(17,854)	22,158
Net foreign exchange differences		(10)	(144)
Cash and cash equivalents at beginning of year		38,033	16,019
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**20,169**	**38,033**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2023

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2022	84,059	(577)	157,028	240,510
Other comprehensive income	-	231	-	231
Net income for the year	-		20,681	20,681
Total comprehensive income for the year	-	**231**	**20,681**	**20,912**
Issue costs	(2)	-	-	(2)
Distribution reinvestment plan	367	-	-	367
At 30 June 2023	**84,424**	**(346)**	**177,709**	**261,787**

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

CONTENTS

30 JUNE 2023

NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2023

Abacus Storage Operations Limited ("ASOL" or the "Company") is a member of the Abacus Property Group ("Abacus" or "the Group") which is comprised of Abacus Group Holdings Limited ("AGHL"), Abacus Trust ("AT"), Abacus Group Projects Limited ("AGPL"), Abacus Income Trust ("AIT") Abacus Storage 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 2023 was authorised for issue in accordance with a resolution of the directors on 18 August 2023.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Valuation of investment properties held at fair value

The Company makes judgements in respect of the fair value of investment properties (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.

The property valuations have been prepared based on the information that is available at 30 June 2023.

Fair value of derivatives

The fair value of derivatives is determined based on discounted cash flow analysis using assumptions supported by observable market rates adjusted for counterparty creditworthiness.

Impairment of goodwill and intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS – Segment Information

30 JUNE 2023

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:

	2023 $'000	2022 $'000
Rental income	176,459	147,725
Fee income	17,879	15,900
Merchandising income	3,697	4,179
Total revenue from external customers	**198,035**	**167,804**

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 2023

1. EARNINGS PER SHARE

	2023	2022
Basic and diluted earnings per share (cents)	2.31	4.97
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit ($'000)	**20,681**	**42,072**
Weighted average number of shares:		
Weighted average number of shares for basic earnings per share ('000)	893,452	846,260

2. EXPENSES

	2023 $'000	2022 $'000
Administrative and other expenses		
Wages and salaries	31,139	27,412
Contributions to defined contribution plans	2,852	2,369
Other expenses	11,518	7,566
Total administrative and other expenses	**45,509**	**37,347**

3. INCOME TAX

	2023 $'000	2022 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	6,135	6,250
Adjustments in respect of current income tax of previous years	5	(16)
Deferred income tax		
Movement in depreciable assets tax depreciation	160	116
Relating to origination and reversal of temporary differences	3,034	12,317
Income tax expense reported in the income statement	**9,334**	**18,667**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

3. INCOME TAX (continued)

	2023 $'000	2022 $'000
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before income tax expense	30,015	60,739
Prima facie income tax expense calculated at 30% (AU)	8,259	17,234
Prima facie income tax expense calculated at 28% (NZ)	696	1,000
Prima Facie income tax of entities subject to income tax	8,955	18,234
Foreign tax rate adjustment	42	(187)
Adjustment of prior year tax applied	5	(16)
Other items (net)	332	636
Income tax expense reported in the income statement	**9,334**	**18,667**
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June 2023 relates to the following:		
Deferred tax liabilities		
Revaluation of investment properties at fair value	37,150	33,984
Revaluation of investments and financial instruments at fair value	397	-
Branding	9,489	9,489
Other	2,299	2,139
Gross deferred income tax liabilities	49,335	45,612
Set off against deferred tax assets	(1,837)	(1,302)
Net deferred income tax liabilities	**47,498**	**44,310**
Deferred tax assets		
Provisions - other	18	12
Provisions - employee entitlements	1,397	1,091
Other	422	199
Gross deferred income tax assets	1,837	1,302
Set off of deferred tax liabilities	(1,837)	(1,302)
Net deferred income tax assets	-	-

Tax consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

3. INCOME TAX (continued)

Nature of the tax funding agreement

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

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

4. INVESTMENT PROPERTIES

	2023 $'000	2022 $'000
Right-of-use property assets	112,995	181,496
Freehold investment properties	175,719	165,108
Total investment properties	**288,714**	**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 9(d):

	Non-current	
Investment properties	2023 $'000	2022 $'000
Carrying amount at beginning of the financial period	346,604	289,726
Additions and capital expenditure	56	407
Additions of right of use assets	16,187	86,310
Net change in fair value of investment properties as at balance date	10,555	41,342
Net change in fair value of right-of-use investment properties as at balance date	(85,360)	(70,250)
Effect of movements in foreign exchange	672	(931)
Carrying amount at end of the period	**288,714**	**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.

Sensitivity Information

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

4. INVESTMENT PROPERTIES (continued)

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

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

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 outlined in note 8.

The weighted average capitalisation rate for the portfolio is 5.25% (2022: 5.25%)

The current occupancy rate for Self Storage assets is 86.2% (2022: 90.2%)

The key assumptions and estimates used in the valuations 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;
- lease assumptions based on current and expected future market conditions after expiry of any current lease; and
- the capitalisation rate and discount rate derived from recent comparable market transactions.

The property valuations have been prepared based on the information that is available at 30 June 2023.

In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Company's investment property portfolio, and the future price achieved if a property is divested. The potential effect of a decrease / increase in weighted average capitalisation rate of 25 bps on property valuation would have the effect of increasing the fair value by up to $8.8 million or decrease the fair value by $8.0 million respectively.

During the year ended 30 June 2023, 100% (2022: 100%) of the properties in the portfolio were subject to external valuations. Those properties that were subject to an external valuation prior to 30 June 2023 were subject to an internal valuation at 30 June 2023.

5. LOANS

	2023 $'000	2022 $'000
(a) Non-current property loans		
Loans to related parties - amortised cost [1]	76,324	61,446
	76,324	**61,446**

1. Loan to related party relates to variable loan provided to another entity within the Group with a facility limit of $110m. The loan is unsecured and the average interest rate is 3.79% with a maturity date of 8 October 2027. Subsequent to year end, the loan has been fully repaid.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

6. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'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 2023		
Cash at bank and in hand[1]	**20,169**	**38,033**

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

Net profit	20,681	42,072
Adjustments for:		
Depreciation and amortisation of non-current assets	3,409	4,464
Net change in fair value of derivatives	(1,138)	-
Net change in fair value of investment properties held at balance date	74,805	28,908
Net change in fair value of investment and financial instruments derecognised	(100)	-
Net (profit)/loss on disposal of property, plant and equipment	35	(8)
Increase/(decrease) in lease liabilities	5,852	(6,042)
Increase in payables	704	27,441
(Increase) in receivables and other assets	(4,889)	(10,362)
Net cash from operating activities	**99,359**	**86,473**

(a) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to ASOL's reinvestment plan. During the year 1.2 million (2022: 13.7 million) shares were issued with a cash equivalent of $0.4 million (2022: $3.9 million).

7. CAPITAL MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

8. INTEREST BEARING LOANS AND BORROWINGS

	2023 $'000	2022 $'000
(a) Non-current		
Bank loans - A$	56,807	33,843
Related party loans - A$	-	25,005
	56,807	**58,848**

	2023 $'000	2022 $'000
(b) Maturity profile of current and non-current interest bearing loans		
Due between one and five years	56,807	42,876
Due after five years	-	15,972
	56,807	**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.

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

Bank loans are $A denominator and provided at interest rates which are set periodically on a floating basis. The term to maturity is between July 2024 to July 2027. The bank loans are secured by charges over the investment properties and certain property, plant and equipment. Approximately 7.5% (2022: Nil) of the bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity 3.0 years (2022: 4.4 years).

The Company's weighted average interest rate on non-related borrowings for the year ended 30 June 2023 was 4.38% (2022: 1.97%)

(c) Financial facilities available

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

	2023 $'000	2022 $'000
Total facilities - bank loans	58,308	44,542
Facilities used at reporting date - bank loans	(56,807)	(33,843)
Facilities unused at reporting date - bank loans	**1,501**	**10,699**

(d) Assets pledged as security

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

	2023 $'000	2022 $'000
Non-current		
First mortgage		
Investment properties	175,719	165,108
Total non-current assets pledged as security	175,719	165,108
Total assets pledged as security	**175,719**	**165,108**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

9. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

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

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

(a) Credit risk

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

The Company manages its exposure to risk by:

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

The Company also mitigates this risk by ensuring adequate security is obtained and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality.

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.

9. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Credit risk exposures

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

	Carrying Amount	
	2023	2022
	$'000	$'000
Receivables[1]	8,230	6,727
Loans[2]	76,324	61,446
Derivatives	2,687	-
Other receivables[3]	11,673	9,658
Cash and cash equivalents	20,169	38,033
	119,083	**115,864**

1. Receivables are all on original terms and there is no indication as to non-recoverability due to term of storage agreements being on a month to month basis.

2. Loan to related party relates to variable loan provided to another entity within the Group with a facility limit of $110m. The loan is unsecured and the average interest rate is 3.79% with a maturity date of 8 October 2027. The loan has been fully repaid post year end on 4 August 2023.

3. Non-interest bearing loan with another entity within the Group.

(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.

30 June 2023	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	25,064	25,064	25,064	-	-
Interest bearing loans and borrowings incl derivatives#	56,872	63,473	1,925	61,548	-
Lease liabilities	115,838	123,493	90,437	23,519	9,537
Total liabilities	**197,774**	**212,030**	**117,426**	**85,067**	**9,537**

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

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

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

The Company hedges to minimise interest rate risk by entering variable to fixed interest rate swaps which also helps deliver interest covenant compliance and positive carry (net rental income in excess of interest expense) on the property portfolio. Interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Under the interest rate swaps, the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2023, after taking into account the effect of interest rate swaps, approximately 7.5% of the Company's drawn bank debt is subject to fixed rate hedges (2022: Nil). Hedge cover as a percentage of available bank facilities at 30 June 2023 is 7.3% (2022: Nil).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

30 June 2023	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	20,169	-	-	-	-	20,169
Derivatives	-	1,558	1,129	-	-	2,687
Related party loans	76,324	-	-	-	-	76,324
Receivables	-	-	-	-	8,230	8,230
Other receivables	-	-	-	-	11,673	11,673
Total financial assets	**96,493**	**1,558**	**1,129**	-	**19,903**	**119,083**
Weighted average interest rate*^	3.70%					
Financial liabilities						
Payables	-	-	-	-	25,064	25,064
Interest bearing liabilities - bank	56,807	-	-	-	-	56,807
Derivatives	-	-	65	-	-	65
Lease Liabilities	-	86,812	21,461	7,565	-	115,838
Total financial liabilities	**56,807**	**86,812**	**21,526**	**7,565**	**25,064**	**197,774**
Notional principal swap balance maturities*	-	56,950	61,625	-	-	118,575
Weighted average interest rate on drawn bank debt*	4.38%					

30 June 2022	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	38,033	-	-	-	-	38,033
Related party loans	-	-	-	61,446	-	61,446
Receivables	-	-	-	-	6,727	6,727
Other receivables	-	-	-	-	9,658	9,658
Total financial assets	**38,033**	-	-	**61,446**	**16,385**	**115,864**
Weighted average interest rate*^	0.45%					
Financial liabilities						
Payables	-	-	-	-	25,842	25,842
Interest bearing liabilities - bank	33,843	-	-	-	-	33,843
Lease Liabilities	-	81,109	92,453	7,935	-	181,497
Related party loans	-	-	25,005	-	-	25,005
Total financial liabilities	**33,843**	**81,109**	**117,458**	**7,935**	**25,842**	**266,187**
Notional principal swap balance maturities*	-	-	-	-	-	-
Weighted average interest rate on drawn bank debt*	1.97%					

* rate calculated for the year ended 30 June

^ weighted average interest rate excludes the impact of derivatives

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

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

		AUD			
	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2023	$'000	$'000	$'000	$'000	$'000
Financial assets	20,169	(202)	-	202	-
Financial liabilities	56,807	(1,237)	-	792	-

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

(d) Fair Value

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

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

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Investment properties	Level 3	Discounted Cash Flow ("DCF") Direct comparison Income capitalisation method	Adopted capitalisation rate Optimal occupancy Adopted discount rate Rate per unit
Derivative financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility

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.

9. FINANCIAL INSTRUMENTS (continued)

(d) Fair Value (continued)

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.

10. CONTRIBUTED EQUITY

(a) Issued shares	2023 $'000	2022 $'000
Shares on issue	84,424	84,059
Total contributed equity	**84,424**	**84,059**

(b) Movement in shares on issue	Shares Number 2023 000	Shares Number 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 financial year	**893,658**	**892,429**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

11. PARENT ENTITY FINANCIAL INFORMATION

	2023 $'000	2022 $'000
Results of the parent entity		
Profit for the year	4,474	3,772
Total comprehensive income for the year	**4,474**	**3,772**
Financial position of the parent entity at year end		
Current assets	88,734	40,084
Total assets	**311,466**	**298,578**
Current liabilities	107,090	19,883
Total liabilities	**202,680**	**194,631**
Net assets	**108,786**	**103,947**
Total equity of the parent entity comprising of:		
Issued capital	84,424	84,059
Retained earnings	24,362	19,888
Total equity	**108,786**	**103,947**

(a) Parent entity contingencies

There are no contingencies with the parent entity as at 30 June 2023 (2022: Nil).

(b) Parent entity capital commitments

There are no capital commitments of the parent entity as at 30 June 2023 (2022: Nil).

12. CONTINGENCIES

At 30 June 2023 the Company had bank guarantees issued but not recognised as liabilities as follows:

	2023 $'000	2022 $'000
Bank guarantees		
- redevelopment of investment properties	38	38
	38	**38**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

13. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment stated at historical cost less accumulated depreciation and any impairment losses for the year ended 30 June 2023.

	2023 $'000	2022 $'000
Plant and equipment		
At the beginning of the period, net of accumulated depreciation	20,212	19,239
Additions	10,528	3,305
Effect of movements in foreign exchange	103	(163)
Depreciation charge for the period	(2,666)	(2,169)
At the end of the period net of accumulated depreciation	**28,177**	**20,212**
Gross value	41,382	30,721
Accumulated depreciation	(13,205)	(10,509)
Net carrying amount at end of period	**28,177**	**20,212**

14. LEASE LIABILITIES

Company as lessee

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

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

	2023 $'000	2022 $'000
As at 1 July	181,497	166,368
Additions and modifications	19,171	86,301
Accretion of interest	6,438	3,768
Effect of movements in foreign exchange	496	(717)
Payments	(91,764)	(74,223)
At 30 June	**115,838**	**181,497**
Current	86,812	81,109
Non-current	29,026	100,388

The following are the amounts recognised in profit or loss:

	2023 $'000	2022 $'000
Interest expense on lease liabilities	6,438	3,768
At 30 June	**6,438**	**3,768**

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

Entity	Country of incorporation	Place of business	Equity interest 2023 %	Equity interest 2022 %
Abacus Storage Operations Limited and its subsidiaries:				
Abacus Storage NZ Operations Pty Limited	Australia	New Zealand	100	100
Abacus Storage Solutions Pty Limited	Australia	Australia	100	100
Abacus Storage Solutions NZ Pty Limited	Australia	New Zealand	100	100
Abacus USI C Trust	Australia	Australia	100	100
Abacus U Stow It A1 Trust	Australia	Australia	100	100
Abacus U Stow It B1 Trust	Australia	Australia	100	100
Abacus U Stow It A2 Trust	Australia	Australia	100	100
Abacus U Stow It B2 Trust	Australia	Australia	100	100
U Stow It Holdings Limited	Australia	Australia	100	100
U Stow It Pty Limited	Australia	Australia	100	100
Abacus SK Pty Limited	Australia	Australia	100	100
Storage King Corporate Holdings Pty Limited	Australia	Australia	100	100
Storage King Services Pty Limited	Australia	Australia	100	100
SK Licensing Pty Limited	Australia	Australia	100	100
SK (Licensees) Pty Limited	Australia	Australia	100	100
Storage King Management Pty Limited	Australia	Australia	100	100
Storage King Store Management Pty Limited	Australia	Australia	100	100
Storage King Mgmt NZ Limited	New Zealand	New Zealand	100	100
Storage King (Singapore) Pte Limited	Singapore	Singapore	100	100
Storage King International Limited	Hong Kong	Hong Kong	100	100
Storage King Pty Limited	Australia	Australia	100	100
Storage King NZ Limited	New Zealand	New Zealand	100	100
A.A1 Storage King Pty Limited	Australia	Australia	100	100

(b) Ultimate parent

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

(c) Key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with related parties

	2023 $	2022 $
Transactions with related parties other than associates and joint ventures		
Revenues		
Interest revenue on loans to related party[1]	3,594,267	2,062,384
Expenses		
Property management fees paid / payable[2]	(2,036,489)	(1,536,801)
Interest expense on loans from related party	(150,006)	(435,848)
Rent charged by related party[3]	(91,588,764)	(73,718,429)
Other transactions		
Loan advanced to related parties[4]	(55,601,165)	(122,214,607)
Loan repayments from related parties[4]	39,271,425	57,149,791
Loan advanced from related parties	15,653,022	48,000,949
Loan repayments to related parties	(40,653,022)	(38,236,611)

1. Related party is another entity within the Group.
2. Management fee paid to ASFML per the management services agreement.
3. Rent payment is reflected in the lease liability movement.
4. The transactions are related to the other receivables of $11,218,657 within the other receivables of $11,672,909 and the loan of $76,324,039 in Note 5.

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 51.8% of the ordinary shares of the Company (2022: 54%).

Mrs Myra Salkinder is the Chair of the Company and is a senior executive of Kirsh. Mrs Salkinder ceased to be a director of ASOL on 3 August 2023. Mr Mark Bloom is a Non-Executive Director of the Company and is a consultant to Kirsh.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. RELATED PARTY DISCLOSURES (continued)

(e) Fees

(i) Management fee

ASFML, the manager of the Company, has entered into a management services agreement with ASOL to provide 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 Management Services Agreement, ASFML is entitled to receive a management fee of 0.43% (2022: 0.43%) of the total assets of the Company under the terms of the Constitution. The fees are paid on a monthly basis. Total fees paid to ASFML during the year for management of the Company were $2,036,489 (2022: $1,536,801).

As at the balance sheet date $315,420 (2022: $282,666) was owed to ASFML in relation to management fees.

The Company has subsidiaries operated by ASFML and ASFML has rebated its fee to the Company to ensure that there is no duplication of fees recovered from the other companies.

16. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

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

(b) Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2023 or in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. INTANGIBLE ASSETS AND GOODWILL

	2023 $'000	2022 $'000
Goodwill		
Balance at 1 July	33,132	33,132
Additions		-
At the end of the year	**33,132**	**33,132**
Brand and trademarks with indefinite lives		
Balance at 1 July	31,629	31,629
Additions		-
At the end of the year	**31,629**	**31,629**
Licences and management rights		
Balance at 1 July	7,376	7,906
Additions	-	1
Amortisation charge for the year	(532)	(531)
At the end of the year, net of accumulated amortisation	**6,844**	**7,376**
Software		
At 1 July, net of accumulated amortisation	816	895
Additions	194	43
Amortisation charge for the year	(114)	(122)
At the end of the year, net of accumulated amortisation	**896**	**816**
Total goodwill and intangibles	**72,501**	**72,953**

Impairment tests for goodwill and intangible assets

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

Goodwill and intangible assets 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 2023 covering a ten-year period.

(ii) Key assumptions used in valuation calculations

Storage King goodwill and intangible assets – the calculation of fair value less costs to sell is most sensitive to the following assumptions:

a. Licence & management and other fee income: based on actual income and revenue within the financial year and the underlying growth rate of 8%.

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

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

d. A pre-tax discount rate of 8.6% (2022: 7.5%) and a terminal growth rate of 2.6% (2022: 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 and intangibles to be impaired in the future, however, the goodwill and intangibles valuation as at 30 June 2023 has significant head room thus no reasonable changes in the assumptions would cause or give rise to an impairment.

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.

Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

(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 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 Company.

- 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 116

  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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (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 had no impact on the consolidated financial statements of the Company.

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 Group for the annual reporting period ended 30 June 2023. The significant new standards or amendments are outlined below:

- 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.

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)

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.

- 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.

The amendments are applied prospectively and 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 2023

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 income and other income

Rental income from Self Storage properties is recognised as income in the periods in which it is earned. Other income ancillary to the provision of rental income is also recognised as part of the rental income. Rental discount granted is 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.

Management and other fee income

Revenue from rendering of services is recognised in accordance with the performance obligations under the terms and conditions of the service agreements and the accounting standards.

Merchandise Sales

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

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) Operating Expenses

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

(h) Cash and cash equivalents

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

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

(i) Trade and other receivables

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

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

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

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

(j) Derivative financial instruments and hedging

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments and other financial assets

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

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

Loans and receivables

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

Subsidiaries

Investment in subsidiaries are held at lower of cost or recoverable amount as disclosed within the parent entity note.

(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 – 3 to 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investment properties

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

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;

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

Company as a lessor

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

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

(o) Goodwill and intangibles

Goodwill

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles assets

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

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

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Goodwill and intangibles (continued)

Intangibles assets (continued)

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

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

Brand and trademarks

The Company acquired the Storage King brand and trademarks as part of the acquisition of the Storage King Group in November 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:

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(q) Trade and other payables

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

(r) Dividends

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

(s) Interest-bearing loans and borrowings

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

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

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

Borrowing Costs

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

(t) Contributed equity

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Taxation

Company income tax

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

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

In addition to its own current and deferred tax amount, the head tax entity also recognises the current tax liability (or asset) and the deferred tax asset arising from unused tax loss and unused tax credit assumed from controlled entities in the tax consolidated group.

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

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

Current tax asset and liability 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 asset is 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 asset is 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 asset 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 asset is 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.

Deferred income tax liability is 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Taxation (continued)

Company income tax (continued)

Deferred income tax asset and liability 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 tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax asset and deferred tax liability are offset only if a legally enforceable right exists to set off current tax asset against current tax liability and the deferred tax asset and liability 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% (2022: 28%).

Goods and services tax (GST)

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

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

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

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

(v) Earnings per share (EPS)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

19. AUDITOR'S REMUNERATION

	2023 $	2022 $
Amounts received or due and receivable by Ernst & Young Australia:		
- Fees for auditing the statutory financial report of the parent covering the Company and auditing the statutory financial reports of any controlled entities	98,702	95,138
- Other services		
- due diligence services	101,744	-
	200,446	95,138

20. EVENTS AFTER BALANCE SHEET DATE

On 27 July 2023, securityholders voted to de-staple Abacus to create a separate listed group, Abacus Storage King which comprises ASOL and ASPT with the de-stapling being completed on 4 August 2023. The de-stapling allows for the creation of Abacus Storage King as a dedicated Self Storage operating platform and real estate investment group.

In conjunction with the de-stapling, a fully underwritten 1-for-5.6 pro rata security offer in Abacus Storage King was completed at an issue price of $1.41 per stapled Abacus Storage King security which raised $225 million.

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.

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 2023 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 2023.

On behalf of the Board

John O'Sullivan
Chair
Sydney, 18 August 2023

Steven Sewell
Managing Director

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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 2023, 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 2023 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

Investment Properties

Why significant	How our audit addressed the key audit matter

The Group's total assets include investment properties which are composed of freehold title properties and right of use assets. These assets are carried at fair value, which was assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at the reporting date.
 	
As disclosed in Note 4, the valuation of investment properties is inherently subjective given there are alternative assumptions and valuation methods that may result in a range of values. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a significant change to the valuation of investment properties.
 	
Two approaches are generally used: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the valuers derive their best estimate of the value at a point in time.
 	
We have considered this a key audit matter due to the number of judgments required in determining fair value. For the same reasons we consider it important that attention is drawn to the information in Note 4 in assessing the property valuations at 30 June 2023.
	Our audit procedures included the following:
	• We discussed the following matters with management:
	  ◦ movements in the Group's investment property portfolio;
	  ◦ changes in the condition of each property including tenancy matters and development status;
	
	• On a sample basis, we performed the following procedures for selected properties:
	  ◦ Evaluated the key valuation assumptions and agreed passing rental income to tenancy schedules. These assumptions and inputs included the adopted capitalisation rate and a number of leasing assumptions including market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure. We assessed the accuracy of tenancy reports which are used as source data in the property valuations by testing a sample of leases to the tenancy reports.
	  ◦ Tested the mathematical accuracy of valuations.
	  ◦ Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies.
	  ◦ Where relevant we compared the valuation against comparable transactions utilised in the valuation process.
	  ◦ Evaluated the suitability of the valuation methodology based on the type of asset.
	  ◦ Assessed the qualifications, competence and objectivity of the valuers.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

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

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

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

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

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

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

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

Ernst & Young

Ernst & Young

AEwan

Anthony Ewan
Partner
Sydney
18 August 2023

ABACUS STORAGE PROPERTY TRUST

ABN 99 834 531 714

FINANCIAL REPORT

30 June 2023

ABACUS

ANNUAL FINANCIAL REPORT

30 JUNE 2023

Directory

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

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

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

Directors of Responsible Entity:
John O'Sullivan, Chair
Steven Sewell, Managing Director
Mark Bloom
Stephanie Lai
Karen Robbins

Company Secretary:
Lucy Spenceley

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

CONTENTS

It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Property Group, Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust and Abacus Storage Operations Limited as at 30 June 2023. 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 2023

The Directors of Abacus Storage Funds Management Limited ("ASFML"), the Responsible Entity of the Abacus Storage Property Trust ("ASPT" or the "Trust") present their report together with the consolidated financial reports of the Trust for the year ended 30 June 2023 and the auditor's report thereon.

PRINCIPAL ACTIVITIES

The Trust operates predominantly in Australia and New Zealand and its principal activity during the course of the year ended 30 June 2023 included investment in Self Storage facilities to derive rental income.

The operating and financial review is intended to convey the Directors' perspective of ASPT and its operational and financial performance. It sets out information to assist security holders 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 Australian Accounting Standards Board ("AASB") and the International Accounting Standards Board ("IASB") respectively. It should be read in conjunction with the financial statements and accompanying notes.

TRUST STRUCTURE

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

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

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

OPERATING AND FINANCIAL REVIEW

GROUP STRATEGY

Abacus is positioned as a strong asset backed business with key investments concentrated in the Self Storage sector. The Group invests its capital in assets that are forecasted to drive long term total returns and securityholder value, with an investment objective to provide its investors with reliable asset backing, and increasing returns over the medium to longer term.

DIRECTORS' REPORT
30 JUNE 2023

GROUP STRATEGY (continued)

TO CONCENTRATE ON SELECT REAL ESTATE SECTORS THAT DELIVER LONG-TERM, SUSTAINABLE OUTCOMES THROUGH ACTIVE INVESTMENT AND ASSET MANAGEMENT, AND A STRONG FOCUS ON CUSTOMER AND BRAND AWARENESS.

VISION

To create exceptional value for our customers and stakeholders through the ownership and management of real estate and as operators of storage locations

STRATEGY

To concentrate on select real estate sectors that deliver long-term, sustainable outcomes through active Investment and Asset Management, and a strong focus on Customer and Brand awareness

Investment management
Strategically invest in assets in all major markets with a clear path to sustainable income growth

Asset management
Provide Commercial and Self Storage space solutions with compelling value propositions for our customers

Customer and brand management
Through close engagement with customers, deliver best in class Commercial and storage services that meet their evolving needs. In doing so, build the Storage King brand to be the most recognisable and valued in the market

VALUES

We are entrepreneurial and deliver innovative and informed market insights and solutions

We are responsible and aim to do the right thing and make a positive difference

We are accountable and answerable for our actions and decisions

CORE BUSINESS

INVESTMENT MANAGEMENT	ASSET MANAGEMENT	CUSTOMER + BRAND MANAGEMENT

ENABLERS

OUR PEOPLE AND CULTURE	OUR REPOSITIONING CAPABILITY	OUR MARKET INSIGHT

AREAS OF FOCUS AND OPPORTUNITY

CUSTOMER ENGAGEMENT	RESPONSIBLE AND SUSTAINABLE EVOLUTION OF CORE BUSINESS
CONTINUED CULTURE OF TEAMWORK, COLLABORATION AND INCLUSION	TECHNOLOGY APPLICATIONS
STRATEGIC PARTNERING	STRONG AND STABLE BALANCE SHEET WITH FLEXIBLE FINANCING OPTIONS

DIRECTORS' REPORT

30 JUNE 2023

GROUP STRATEGY (continued)

The Group looks for investments in the Self Storage sector that can provide strong and stable cash-backed distributions, with potential for capital and income growth. Despite a more challenging economic outlook, we remain confident that the Group is positioned to leverage our key enablers, being:

- Our people and culture, repositioning capability and market insight.
- Strategic investment in assets in major markets with a clear path to sustainable income growth.
- Driving value through active management of the asset portfolio.

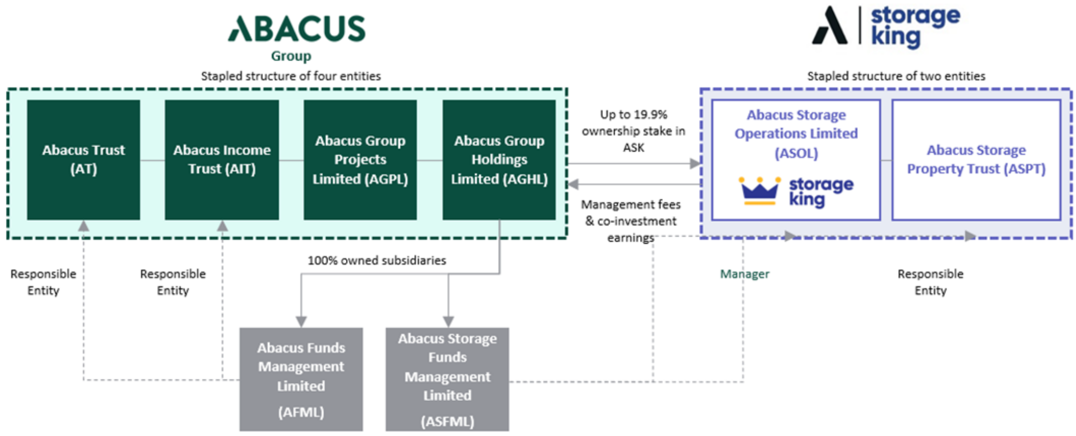
Abacus has a track record of acquiring property-based assets and actively managing those assets to enhance income and thereby driving capital growth. This track record has facilitated strategic partnering and joint ventures with a number of sophisticated third party owners and major groups.

Post Balance Date De-Stapling

On 27 July 2023, securityholders voted to de-staple Abacus to create two listed separate groups:

- Abacus Group (which will trade under ASX:ABG) comprising AGHL, AT, AGPL and AIT; and
- Abacus Storage King (which will trade under ASX:ASK) comprising ASOL and ASPT.

Abacus Group and Abacus Storage King structures post de-stapling



As a result of the de-stapling, each existing Abacus Property Group securityholder will hold one stapled security in Abacus Group and one stapled security in Abacus Storage King for each Abacus Property Group security held on 2 August 2023.

The de-stapling allows for the creation of Abacus Storage King as a dedicated Self Storage operating platform and real estate investment group. It will also provide Abacus Property Group Securityholders with sector specific exposure to the Storage King operating platform and to a $3.1 billion Investment Portfolio including 131 Self Storage Properties and Other Investments. Refer to the diagram above for an overview of Abacus Group and Abacus Storage King structures post de-stapling.

Additionally, the de-stapling allows for a focused strategy for Abacus Group which will continue to own and manage its high quality, eastern seaboard focused $2.5 billion Commercial portfolio. Abacus Group's Commercial portfolio remains diversified by market, asset grade, asset life cycle, customer industry and customer profile. Abacus Group will also provide management services to and initially own 19.9% of Abacus Storage King.

DIRECTORS' REPORT

30 JUNE 2023

TRUST RESULTS SUMMARY

2023 was a period of volatility. We transitioned into an environment of higher inflation, driving a significant increase in the cost of living. To combat the higher inflation, the RBA cash rate rose 325 basis points throughout the financial year to 4.10%, becoming the fastest RBA hiking cycle on record.

In a more challenged economic environment, we remain focused and disciplined on directing capital towards assets that provide potential for enhanced income growth to generate increased total returns and create medium to long term value.

The Trust earned a statutory net profit of $217.0 million for the year ended 30 June 2023 (2022: $323.5 million). The Trust's statutory net profit compared to the prior period was principally due to the increase of rental income of $105.3 million (2022: $84.9 million) and the gain on fair value of investment properties held at balance date of $133.3 million (2022: $248.1 million).

Total property assets at 30 June 2023 were $2,355.3 million (2022: $2,000.3 million). Total assets at 30 June 2023 were $2,682.0 million (2022: $2,364.3 million).

The Trust expanded its portfolio of investments with acquisitions sourced from on market campaigns, as well as successfully completing various off market transactions via the broader Storage King third party licensee and industry relationships. In total, for the year, the Trust acquired an additional 12 Self Storage sites for $ 138.9 million, being:

- NSW (5 sites): Chatswood, Leumeah, Carlton, Kogarah, Croydon
- QLD (3 sites): Loganholme, Capalaba, Currumbin
- VIC (2 sites): Dandenong, Mulgrave
- ACT (1 site): Mitchell
- SA (1 site): Darlington

ASPT has also committed to purchase four additional Self Storage properties for $34.2 million which further cements our standing as a high conviction investor in the Self Storage property market.

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

	2023	2022
Total assets ($ million)	2,682.0	2,364.3
Net assets ($ million)	1,173.9	1,047.7

The increase in total assets of the Trust by 13.4% is mainly due to the acquisition of new investment properties and the revaluations of the investment properties. The increase in net assets of the Trust by 12.0% reflects the increase in retained earnings mainly driven by the revaluation gains on the Trust's investment properties.

Capital management and allocation

During the year, Abacus extended the earliest dated tranches of both its Headstock syndicated facility and Self Storage syndicated facility by one year to July 2024. Abacus has no bank debt expiring in the financial year ending 30 June 2024, with the majority of debt expiring from the financial year ending 30 June 2025 onwards.

In conjunction with the de-stapling, Abacus completed a fully underwritten 1-for-5.6 pro rata security offer in Abacus Storage King at an issue price of $1.41 per stapled Abacus Storage King security which raised $225 million.

The $225 million raising, as well as the completed de-stapling, allow for optimisation of the capital structure for both Abacus Group and Abacus Storage King, as each entity now has the flexibility to further differentiate their capital structures and distribution policies to appropriately reflect their financial, operational and strategic objectives.

DIRECTORS' REPORT
30 JUNE 2023

PROPERTY RESULTS SUMMARY

The Self Storage portfolio is well diversified in Australia and New Zealand across attractive metropolitan locations that are easily accessible and are close to large population centres.

2023 demonstrated both the resilience and diversification of our Self Storage portfolio and the strength of Storage King's brand.

As at 30 June 2023 the Self Storage portfolio equated to $2,355.3 million which is made up of 126 assets (trading and development sites), reflecting an increase of 12 facilities during the period.

We saw a continuation of macroeconomic tailwinds supporting Self Storage sector growth in 2023. These include:

- **Limited supply for Self Storage space**: there is only 2.16sqft of Self Storage per capita available in Australia and 2.61sqft in New Zealand, compared to the more mature US market of 7.21sqft.
- **Densification of residential property and changes in consumer preferences:** with a greater focus on increasing utilisation in the home - rising housing density results in a higher concentration of dwellings and less available space per household, increasing demand for offsite storage. Changes in consumer preferences towards apartment living and a higher proportion of adults renting further supports housing turnover, mobility and therefore demand for offsite storage.
- **Increased awareness and take-up:** Self Storage usage in Australia and New Zealand increased to 9.4% of the total adult population in 2021, up from 8.6% in 2020 and 5.0% in 2013. Further, Storage King is the most recognised Self Storage brand across Australia and New Zealand, which may be leveraged to further acquire assets as industry consolidation continues.
- **The rise of e-commerce leading to increased business usage:** The way people are using Self Storage is changing, with business usage on the rise. Supply chain challenges, the structural uplift in online sales penetration post-COVID and the growing importance of last-mile distribution all present opportunities for Self Storage.

Self Storage Development

With an increased focus on capital allocation, the development pipeline of planned Self Storage assets currently numbers 14 assets, with a combined carrying value of $177 million. These assets are at various stages of development and are anticipated to be delivered to the established portfolio over the next few years as they are completed to commence trading, and reach forecast optimum occupancy levels. It is anticipated that these assets will enhance the average rental rate and revenue per available square metre across the established portfolio over time.

During the period, the Trust maintained full control of the Self Storage management business of Storage King. The Trust also maintained its investment in a listed Self Storage A-REIT, a stake that is intended to be held as a long term investment in one of the Trust's key sectors.

Looking forward we see ongoing momentum, albeit at a more normalised pace, in the Self Storage industry given a range of demand drivers in a fragmented industry with relatively high barriers to entry from a supply perspective.

DIRECTORS' REPORT

30 JUNE 2023

PROPERTY RESULTS SUMMARY (continued)

Self Storage Valuations

As part of the portfolio valuation process, 100% of the properties were independently valued during the year to 30 June 2023. The valuation process resulted in a net full year revaluation gain of $133.3 million (2022: $248.1 million).

The investment property portfolio's overall weighted average capitalisation rate softened 10 basis points from 5.5% to 5.6%. The investment portfolio (excluding equity accounted properties) is now valued at $2.4 billion of Self Storage facilities across 126 assets.

The Trust has continued with its strategy of allocating investment capital to growing exposure to the Self Storage sector. The Trust acquired 3 operating stores as well as 9 development sites, that are expected to deliver income and capital value returns to the portfolio over the medium to longer term.

FUTURE PROSPECTS

The de-stapling process will enable more optimised capital structures for both Abacus Group and Abacus Storage King, with both entities expected to have reduced Adjusted Gearing at the lower end of their respective target ranges. This is expected to provide balance sheet capacity to fund growth initiatives for both entities.

Abacus Group's forecast level of gearing and liquidity post de-stapling will enable it to pursue its strategy and to take advantage of any short-term volatility in the market, which is anticipated in this fluctuating macro-economic environment. Abacus Group's liquidity can potentially be further leveraged, to invest in a larger number of projects through joint venture arrangements.

DIRECTORS' REPORT

30 JUNE 2023

KEY RISKS

Key Risk Areas

In the last year there has been notable change in the material and relevant risks affecting ASPT:

- **WHS:** Workplace health and safety remains a key priority and ongoing risk for ASPT to ensure that our staff, customers and contractors are safe. Areas of particular focus are the operational and capital works at our office buildings, retail customers at our shopping centres and operational activities within the Storage King Self Storage portfolio. Significant improvement to our processes and systems has been made in the year to help mitigate this risk.
- **Cybersecurity:** During the year there have been a number of cyber attacks on Australian companies that has caused loss of customer data and disruption to businesses. ASPT remains vigilant to ongoing cyber-attacks with improvements to our processes and systems and ongoing training for our staff.
- **Interest rates and inflation:** Higher inflation and the consequent increase to interest rates creates an increase in the cost of operating the business and higher bank interest on our borrowings, to the extent that they are not hedged. Higher interest rates may also have the result of reducing the value of our property assets.
- **Office and storage demand:** Subdued consumer and business sentiment has the potential to reduce the demand for office space and demand for Self Storage space at our properties. The demand for office space is also affected by changes ways of working with increased working from home.

The table below outlines some of ASPT's key risk areas. The list is not exhaustive, and ASPT's performance may be affected adversely by any of these risks and other factors. The table also describes some of the key management actions being taken to ensure such risks are taken in line with the Risk Appetite Statement.

Key Risk	Impact of risk	How ASPT manages it
Strategic Risk ASPT activities and transactions are aligned with the approved strategy so to ensure that financial and operational results are within expected and planned outcomes.	• Lower than expected return on capital • Reduced investor sentiment	The ASPT Board and management review and confirm ASPT strategy and risk profile on a periodic basis and has a number of processes and controls to ensure the strategic direction of ASPT is maintained.
Governance Risk ASPT is reliant on an effective and balanced governance approach to people, conduct, and processes through oversight, controls, checks, and subject matter experts.	• Loss of income or asset values • Financial performance of assets • Financial damage	ASPT has a number of governance controls and processes implemented across ASPT, with some aspects including monitoring, reporting, and training in respect of conduct, staff skills, and processes.
Regulatory, Compliance & Legal Risk ASPT is responsive to regulatory change and strives to operate in accordance with its regulatory and legal obligations.	• Increased compliance costs • Regulatory restrictions impacting on business operations	ASPT has a number of controls and arrangements in place to ensure compliance with its legal and regulatory obligations. Some aspects include monitoring, testing, and reviewing through dedicated compliance plans, which are also subject to external review.

DIRECTORS' REPORT

30 JUNE 2023

KEY RISKS (continued)

Key Risk	Impact of risk	How ASPT manages it
Operational Risk – Asset and Development Management, Acquisition and Capital Investment ASPT's operational systems are developed and implemented with operational controls embedded to ensure best practice and the opportunity for ongoing success.	• Financial performance of assets • Reduced investor sentiment • Financial damage	ASPT has a number of controls and processes in place to ensure assets are maintained to the required standard and in accordance with documented asset management protocols. ASPT has documented processes for the assessment of capital expenditure, development activities and property acquisitions and disposals.
Operational Risk – Cyber and Information Technology ASPT aims to leverage technology and innovation to enhance the customer experience while developing responsive strategies to prevent cyber incidents and attacks.	• Lost productivity as a result from a material critical technology disruption • Reduced market competitiveness from a failure to adapt to changes in advancements in technology • Regulatory restrictions impacting on business operations	ASPT has a number of controls, arrangements, and recovery plans in place over information and technology assets, as well as active monitoring of its digital footprint. ASPT also develops strategies to continue to incorporate technological innovations into assets. Regular training is provided to staff to ensure continued awareness of cyber risks.
Operational Risk – Health and Safety Ensuring the health, safety and wellbeing of ASPT's people is of utmost importance to the success of its strategy.	• Material harm to people • Reputational impact • Civil and criminal penalties and regulatory restrictions imposed • Costs and effort to remediate	ASPT has arrangements and controls in place to ensure that safety risks, hazards, and incidents are reported and addressed, and that assets have embedded systems and processes to ensure safe operation. The Board has a Sustainability and WHS sub-committee to monitor these risks.
Operational Risk – People and Culture The motivation, high-performance and capability of ASPT's people are integral to the success of its business outcomes.	• Workforce costs • Workforce productivity • Loss of corporate knowledge • Ability to attract and retain talent	ASPT has a number of controls, processes, and strategies in place to ensure people recruited are aligned to ASPT's culture and are continually developed to meet the needs of the business and ensure appropriate succession planning. ASPT also regularly monitors and maintains a positive workplace culture in line with its values. All staff are required to adhere to the Code of Conduct.

DIRECTORS' REPORT

30 JUNE 2023

KEY RISKS (continued)

Key Risk	Impact of risk	How ASPT manages it
Operational Risk – Strategic Partnerships and Management Arrangements Maintaining professional relationships with like minded property groups, licensees and service providers is critical to the success and growth of the business.	• Reputational damage • Financial damage • Inability to attract new partnerships	ASPT has periodic meetings to ensure strategic alignment with our property co-owners and foster a collaborative approach to growth opportunities. ASPT has controls, processes and strategies in place to ensure that obligations to be provided by third parties to ASPT and obligations to be provided by ASPT to others are appropriately discharged.
Environmental and Sustainability Risk Climate change is expected to affect ASPT's assets while also presenting an opportunity to prepare for and build resilience across its portfolio.	• Higher operating costs or requiring remedial capital costs, leading to a potential devaluation • Reputational damage • Reduced investor sentiment	ASPT has developed and implemented a number of controls and strategies to ensure that environmental issues are incorporated into decision-making process when acquiring assets and as part of the ongoing management of each asset. Active strategies are in place to ensure that insurance cover is optimised for climate risk affected properties.
Market and Investment Risk ASPT incorporates appropriate oversight and controls over key decisions in acquisitions, disposals, capital management, and valuations so to ensure the best risk adjusted returns are achieved.	• Lowered expected returns on investment • Reduced investor sentiment	ASPT has a number of controls and processes in place that reviews and approves significant transactions and assesses their alignment with the strategy. In addition, other aspects include controls over capital planning, forecasting, budgeting, and development activities.
Liquidity, Capital Management, and Financial Performance and Reporting Risk ASPT maintains a diversified capital structure to support stable investor returns as well as appropriate access to equity and debt funding.	• Limited capacity to execute strategy • Increased cost of funding • Reduced availability of debt financing	ASPT has a number of controls and processes in place over capital management to monitor, manage and stress test property valuations, interest rate changes, funding requirements, liquidity buffers, and credit risk with regular reporting to the Board and internal Committees. ASPT has documented policies and operational procedures with controls embedded over material risks as well as external advisory in place over treasury activities including interest rate hedging.

DIRECTORS' REPORT

30 JUNE 2023

OPERATING AND FINANCIAL REVIEW (continued)

KEY RISKS (continued)

Environmental, Social and Governance Risks

ASPT continues to progress its governance policies and procedures regarding Environmental, Social and Governance ('ESG') risks across the business. We recognise the growing importance of ESG across all facets of the business and as such it remains a key focus area for our Executive Committee, Board and Sustainability Committee. We continue to progress with our net zero emissions target by 2050 currently, with climate related risks being a consideration in all investment decisions across the business. We continue to progress our understanding of the operating and capital costs for each of our properties that may be impacted by climate change. Being a good corporate citizen underpins our social responsibilities and we adhere by relevant laws and ASPT policies to mitigate social risks, with modern slavery representing a major risk in this area. ASPT also practices strong governance throughout the business, with robust governance policies in place that provide the framework for decision-making within the Trust.

DIRECTORS

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

Myra Salkinder	Chair (Non-executive) (retired 3 August 2023)
John O'Sullivan	Chair (Non-executive) (appointed 13 June 2023)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director (retired 3 August 2023)
Mark Bloom	Non-executive Director
Stephanie Lai	Non-executive Director (appointed 13 June 2023)
Karen Robbins	Non-executive Director (appointed 13 June 2023)
Mark Haberlin	Non-executive Director (Lead Independent) (retired 3 August 2023)
Sally Herman	Non-executive Director (appointed 15 December 2022) (retired 3 August 2023)
Holly Kramer	Non-executive Director (retired 23 November 2022)
Jingmin Qian	Non-executive Director (retired 3 August 2023)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Trust at 30 June 2023 increased to $334.6 million from $333.7 million due to unitholders' participation in the distribution reinvestment plan during the year.

UNITS ON ISSUE

During the year 1.2 million units were issued and at 30 June 2023, there were 893.7 million units on issue (2022: 892.4 million).

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

ASPT paid a management fee of $10.5 million (2021: $8.3 million) to the responsible entity for the year ended 30 June 2023.

DISTRIBUTIONS

The Trust's distributions in respect of the year ended 30 June 2023 were $51.9 million (2022: $60.0 million), which is equivalent to 5.81 cents per unit (2022: 6.72 cents). Further details on the distributions are set out in note 12 of the financial statements.

DIRECTORS' REPORT
30 JUNE 2023

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 27 July 2023, securityholders voted to de-staple Abacus Storage King from Abacus Property Group with the de-stapling being completed on 4 August 2023.

In conjunction with the de-stapling, a fully underwritten 1-for-5.6 pro rata security offer in Abacus Storage King was completed at an issue price of $1.41 per stapled Abacus Storage King security which raised $225 million.

Abacus acquired a minority investment of 19.9% of the Abacus Storage King Securities on issue.

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 financial year that has significantly affected, or may affect, the Trust's operations in future financial periods, the results of those operations or the Trust's state of affairs in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Trust is subject to significant environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Trust's environmental responsibilities and compliance with the various licence requirements and regulations. No material breaches of requirements or any environmental issues have been identified during the year.

ROUNDING

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

DIRECTORS' REPORT
30 JUNE 2023

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is set out on page 51.

During the year, Ernst & Young provided non-audit services to the Trust, as outlined in Note 18 of the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by this Act.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 18, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

John O'Sullivan
Chair
Sydney, 18 August 2023

Steven Sewell
Managing Director

Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Auditor's independence declaration to the directors of Abacus Storage Funds Management Limited, the Responsible Entity for Abacus Storage Property Trust

As lead auditor for the audit of the financial report of Abacus Storage Property Trust for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
18 August 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2023

	Notes	30 Jun 2023 $'000	30 Jun 2022 $'000
REVENUE			
Rental income		105,269	84,918
Finance income	1	498	416
Total Revenue		**105,767**	**85,334**
OTHER INCOME			
Net change in fair value of investment properties held at balance date		133,340	248,068
Net change in fair value of derivatives		12,005	-
Net change in fair value of investments and financial instruments derecognised		12,153	5,026
Net change in fair value of investments held at balance date		16,517	17,324
Income from distributions		11,426	10,961
Other Income		352	476
Total Revenue and Other Income		**291,560**	**367,189**
Property expenses and outgoings		(11,663)	(9,486)
Finance costs	3	(49,669)	(23,254)
Share of profit / (loss) from equity accounted investments	6(a)	(314)	-
Net change in fair value of investment properties derecognised		(60)	(43)
Administrative and other expenses		(14,710)	(9,605)
TOTAL NET PROFIT FOR THE YEAR		**215,144**	**324,801**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation adjustments, net of tax		1,869	(1,325)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**217,013**	**323,476**
Basic and diluted earnings per unit (cents)	2	24.08	38.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	41,890	77,704
Trade and other receivables	10(a)	15,297	19,763
Derivatives at fair value	10(c)	16,206	-
Other		1,344	973
TOTAL CURRENT ASSETS		**74,737**	**98,440**
NON-CURRENT ASSETS			
Investment properties	4	2,355,294	2,000,331
Loans	5(a)	-	25,006
Derivatives at fair value	10(c)	11,739	-
Other financial assets	5(b)	224,146	240,469
Equity accounted investments	6(b)	16,047	-
TOTAL NON-CURRENT ASSETS		**2,607,226**	**2,265,806**
TOTAL ASSETS		**2,681,963**	**2,364,246**
CURRENT LIABILITIES			
Trade and other payables		78,321	75,897
Lease liabilities		390	378
TOTAL CURRENT LIABILITIES		**78,711**	**76,275**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	9	1,426,694	1,238,153
Derivatives at fair value	10(c)	680	-
Lease liabilities		2,010	2,080
TOTAL NON-CURRENT LIABILITIES		**1,429,384**	**1,240,233**
TOTAL LIABILITIES		**1,508,095**	**1,316,508**
NET ASSETS		**1,173,868**	**1,047,738**
Contributed equity	11(a)	334,610	333,683
Reserves		259	(1,610)
Retained earnings		838,999	715,665
TOTAL EQUITY		**1,173,868**	**1,047,738**

CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		99,878	76,949
Interest received		192	3
Distributions received		12,519	9,812
Borrowing costs paid		(44,060)	(18,280)
Operating payments		(14,605)	(8,479)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7	53,924	60,005
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for investments and funds advanced		-	(9,764)
Repayment from inter-company loan		25,000	-
Purchase of investment properties		(212,694)	(512,778)
Disposal of investment properties		(60)	(43)
Disposal of securities		75,325	26,311
Proceeds from other investments		-	-
Payment for securities		(31,360)	(12,535)
Payment for equity accounted investments		(16,718)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(160,507)	(508,809)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		-	57,612
Payment of issue costs		(23)	(1,244)
Payment of finance costs		(226)	(1,787)
Repayment of principal portion of lease liabilities		(378)	(360)
Repayment of borrowings		(20,219)	-
Proceeds from borrowings		190,524	497,347
Distributions paid		(98,941)	(46,066)
NET CASH FLOWS FROM FINANCING ACTIVITIES		70,737	505,502
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(35,846)	56,698
Net foreign exchange differences		32	(28)
Cash and cash equivalents at beginning of year		77,704	21,034
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	41,890	77,704

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2023

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2022	333,683	(1,610)	715,665	1,047,738
Other comprehensive income	-	1,869	-	1,869
Net income for the year	-		215,144	215,144
Total comprehensive income / (expense) for the year	-	1,869	215,144	217,013
Issue costs	(23)	-	-	(23)
Distribution reinvestment plan	950	-	-	950
Distribution to unitholders	-	-	(91,810)	(91,810)
At 30 June 2023	**334,610**	**259**	**838,999**	**1,173,868**

CONSOLIDATED	Issued capital $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2021	266,230	(285)	483,751	749,696
Other comprehensive income	-	(1,325)	-	(1,325)
Net income for the year	-	-	324,801	324,801
Total comprehensive income / (expense) for the year	-	(1,325)	324,801	323,476
Equity raisings	57,612	-	-	57,612
Issue costs	(1,244)	-	-	(1,244)
Distribution reinvestment plan	11,085	-	-	11,085
Distribution to unitholders	-	-	(92,887)	(92,887)
At 30 June 2022	**333,683**	**(1,610)**	**715,665**	**1,047,738**

CONTENTS

30 JUNE 2023

NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2023

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

The financial report of the Trust for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 18 August 2023.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Significant accounting judgements

Control and significant influence

In determining whether the Trust has control over an entity, the Trust assesses its exposure or rights to variable returns from its involvement with the entity and whether it has the ability to affect those returns through its power over the investee. The Trust may have significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the entity but is not in control or joint control of those policies.

(b) Significant accounting estimates and assumptions

Valuation of investment properties

The Trust makes judgements in respect of the fair value of investment properties (note 16(k)). 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.

Fair value of derivatives

The fair value of derivatives is determined using closing quoted market prices based on discounted cash flow analysis using assumptions supported by observable market rates and adjusted for counterparty credit worthiness.

Fair value of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS – Segment Information

30 JUNE 2023

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

	2023 $'000	2022 $'000
Revenue from external customers		
(i) Australia		
Rent - property income	90,406	72,563
Other	352	476
(ii) New Zealand		
Rent - property income	14,863	12,355
Other	-	-
Total revenue from external customers	**105,621**	**85,394**

Major Customers

The largest customer, a related party, accounts for 80.36% of external revenue (2022: 68.46%).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

1. REVENUE

	2023 $'000	2022 $'000
Finance income		
Interest and fee income on secured loans	150	413
Bank interest	348	3
Total finance income	**498**	**416**

2. EARNINGS PER UNIT

	2023	2022
Basic and diluted earnings per unit (cents)	24.08	38.38
Reconciliation of earnings used in calculating earnings per unit		
Basic and diluted earnings per unit		
Net profit ($'000)	**215,144**	**324,801**
Weighted average number of units:		
Weighted average number of units for basic earning per unit ('000)	893,452	846,260

3. FINANCE COSTS

	2023 $'000	2022 $'000
Finance costs		
Interest on loans	48,569	19,884
Other finance costs	791	340
Amortisation of finance costs	309	3,030
Total finance costs	**49,669**	**23,254**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

4. INVESTMENT PROPERTIES

	2023 $'000	2022 $'000
Leasehold investment properties - Australia[1]	13,022	13,272
Freehold investment properties - Australia	2,039,879	1,703,245
Freehold investment properties - New Zealand[2]	302,393	283,814
Total investment properties	**2,355,294**	**2,000,331**

1. The carrying amount of the leasehold property is presented gross of the finance liability of $2.4 million (2022: $2.5 million).
2. Subsidiaries of the Trust wholly own these NZ assets (and the NZD financing of these NZ assets) and consequently the impact of AUD / NZD FX rate revaluations against rates at acquisition date have been measured and reported separately on a net basis in the foreign currency translation reserve. For the purposes of disclosing unrealised gains on investment properties, "Carrying value" has been translated at year end AUD / NZD FX rates per the RBA: $A1 = $NZ1.0833 (2022: RBA: $A1 = $ NZ1.1088).

Reconciliation

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

	Non-current	
Leasehold investment properties	**2023 $'000**	**2022 $'000**
Carrying amount at beginning of the financial year	13,272	11,613
Capital expenditure	14	27
Net change in fair value as at balance date	(264)	1,632
Carrying amount at end of the year	**13,022**	**13,272**

	Non-current	
Freehold investment properties	**2023 $'000**	**2022 $'000**
Carrying amount at beginning of the financial year	1,987,059	1,239,116
Additions	142,499	464,725
Capital expenditure	73,818	45,535
Net change in fair value as at balance date	133,604	246,436
Net change in fair value derecognised	(60)	(43)
Effect of movements in foreign exchange	5,352	(8,710)
Carrying amount at end of the year	**2,342,272**	**1,987,059**

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

Sensitivity Information

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

4. INVESTMENT PROPERTIES (continued)

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

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

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 Trust's internal valuation process. He is assisted by an in-house certified professional valuer who is experienced in valuing the types of properties in the applicable locations.

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

The majority of the investment properties are used as security for secured bank debt outlined in note 9.

The weighted average capitalisation rate for the portfolio is 5.6% (2022: 5.5%)

The current occupancy rate for Self Storage assets is 87.1% (2022: 90.1%)

The key assumptions and estimates used in the valuations 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;
- lease assumptions based on current and expected future market conditions after expiry of any current lease; and
- the capitalisation rate and discount rate derived from recent comparable market transactions.

The property valuations have been prepared based on the information that is available at 30 June 2023.

In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Trust's investment property portfolio, and the future price achieved if a property is divested. The potential effect of a decrease / increase in weighted average capitalisation rate of 25 bps on property valuation would have the effect of increasing the fair value by up to $109.6million or decrease the fair value by $100.3 million respectively.

During the year ended 30 June 2023, 100.0% (2022: 58.4%) of the number of investment properties in the portfolio were subject to external valuations.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

5. LOANS AND OTHER FINANCIAL ASSETS

	2023 $'000	2022 $'000
(a) Non-current property loans		
Loans to related parties - amortised cost [1]	-	25,006
	-	**25,006**
(b) Non-current other financial assets		
Investments in securities - listed - fair value	224,146	240,469
	224,146	**240,469**

1. Loans to related parties relate to fixed rate loans provided to another entities within the Group with a maturity date of 20 December 2024. The loan was fully repaid in October 2022.

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2023 $'000	2022 $'000
Revenue	948	-
Expenses	(1,545)	-
Net loss	**(597)**	-
Share of net loss	**(314)**	-

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

	2023 $'000	2022 $'000
Current assets	553	-
Non-current assets	32,100	-
	32,653	-
Current liabilities	560	-
Non-current liabilities	-	-
Net assets	**32,093**	-
Share of net assets	**16,047**	-

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

A new joint venture CHAB Weir Street Trust was set up on 24 August 2022. ASPT has a 50% interest in the ownership and voting rights of JV. The JV owns the property at 1-3, 5-7 & 15 Weir Street, Glen Iris VIC.

ASPT's share of distributions (including capital distributions) for the year ended 30 June 2023 was $0.4 million (2022: Nil).

7. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'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 2023		
Cash at bank and in hand[1]	**41,890**	**77,704**

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

Net profit	215,144	324,801
Adjustments for:		
Amortisation of finance costs	176	3,005
Net change in fair value of derivatives	(12,005)	-
Net change in fair value of investment properties held at balance date	(133,340)	(248,068)
Net change in fair value of investment properties derecognised	60	43
Net change in fair value of investments derecognised	(12,153)	(5,026)
Net change in fair value of investments held at balance date	(16,517)	(17,324)
Share of profit / (loss) from equity accounted investments	314	-
Foreign exchange gain / (loss)	(32)	137
Increase / (decrease) in payables	7,326	5,798
Decrease / (increase) in receivables and other assets	4,951	(3,361)
Net cash from operating activities	**53,924**	**60,005**

(a) Disclosure of financing facilities

Refer to note 9(c).

(b) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to the ASPT's distribution reinvestment plan. During the year, 1.2 million stapled units (2022: 13.7 million) were issued with a cash equivalent of $0.9 million (2022: 11.1 million).

8. CAPITAL MANAGEMENT

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

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

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

9. INTEREST BEARING LOANS AND BORROWINGS

	2023 $'000	2022 $'000
(a) Non-current		
Bank loans - A$	713,211	522,686
Bank loans - A$ value of NZ$ denominated loan	188,367	184,885
Loans from related parties	525,170	530,587
Less: Unamortised borrowing costs	(54)	(5)
	1,426,694	**1,238,153**

	2023 $'000	2022 $'000
(b) Maturity profile of current and non-current interest bearing loans		
Due within one year	-	-
Due between one and five years	1,426,694	904,228
Due after five years	-	333,925
	1,426,694	**1,238,153**

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

Bank loans are $A and $NZ denominated and are provided 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.

4.9% (30 June 2022: Nil) of the bank debt drawn was subject to fixed rate hedges and the bank debt had a weighted average term to maturity 3.1 years (30 June 2022: 4.4 years).

Loan from related party relates to variable loan provided by another entity within the Group with a facility limit of $550m. The loan is unsecured and the average interest rate is 2.56% with a maturity date of 1 January 2025.

The Trust's average interest rate (A$ and NZ$ combined) on non-related borrowings for the year ended 30 June 2023 was 4.30% (2022: 1.92%)

(c) Financing facilities available

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

	2023 $'000	2022 $'000
Total facilities - bank loans	920,422	931,270
Facilities used at reporting date - bank loans	(901,578)	(707,571)
Facilities unused at reporting date - bank loans	**18,844**	**223,699**

(d) Assets pledged as security

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

	2023 $'000	2022 $'000
Non-current		
First mortgage		
Investment properties in Australia and New Zealand	2,201,603	1,965,231
Total non-current assets pledged as security	2,201,603	1,965,231
Total assets pledged as security	**2,201,603**	**1,965,231**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

9. INTEREST BEARING LOANS AND BORROWINGS (continued)

(e) Defaults and breaches

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

10. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the section about this report and note 17 to the financial statements.

(a) Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations including any adverse economic events such as the current inflation environment, and arises principally from the Trust's receivables from customers, investment in securities, secured property loans and interest bearing loans and derivatives with banks.

The Trust manages its exposure to risk by:

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

The Trust also mitigates this risk by ensuring adequate security is obtained and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Credit risk exposures

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

	Carrying Amount 2023 $'000	Carrying Amount 2022 $'000
Receivables[1]	15,297	19,763
Loans to related parties	-	25,006
Derivatives	27,945	-
Other financial assets	224,146	240,469
Cash and cash equivalents	41,890	77,704
	309,278	**362,942**

1. Receivables are all on original terms and there is no indication of non-recoverability. The receivables include $3.7m receivable from related party ASOL, $5.2m distribution receivable from an investment in another publicly listed self storage REIT, $3.9m other assets which are property acquisitions that have exchanged but not yet settled and are expected to settle in the 12 months.

Non-recoverability of the above receivable types are quite low since the customer receivables are recorded in ASOL.

(b) Liquidity Risk

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

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

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

30 June 2023	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	78,321	78,321	78,321	-	-
Interest bearing loans and borrowings incl derivatives#	1,426,694	1,581,228	53,299	1,527,929	-
Total liabilities	**1,505,015**	**1,659,549**	**131,620**	**1,527,929**	-

30 June 2022	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	75,897	75,897	75,897	-	-
Interest bearing loans and borrowings incl derivatives#	1,238,153	1,479,117	70,881	1,074,197	334,039
Total liabilities	**1,314,050**	**1,555,014**	**146,778**	**1,074,197**	**334,039**

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

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

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

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

	NZD	
	2023	2022
	$'000	$'000
Assets		
Cash at bank	123	1,029
Total assets	**123**	**1,029**
Liabilities		
Trade and other payables	2,343	1,044
Interest bearing loans and borrowings	205,000	205,000
Total liabilities	**207,343**	**206,044**

Interest rate risk / Fair value interest rate risk

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

The Trust hedges to minimise interest rate risk by entering variable to fixed interest rate swaps which also helps deliver interest covenant compliance and positive carry (net rental income in excess of interest expense) on the property portfolio. Interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Under the interest rate swaps, the Trust agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2023, after taking into account the effect of interest rate swaps, approximately 4.9% of the Trust's drawn bank debt is subject to fixed rate hedges (2022: Nil). Hedge cover as a percentage of available bank facilities at 30 June 2023 is 4.8% (2022: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

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

30 June 2023	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	41,890	-	-	-	-	41,890
Receivables	-	-	-	-	15,297	15,297
Derivatives	-	16,206	11,739	-	-	27,945
Other financial assets	-	-	-	-	224,146	224,146
Total financial assets	**41,890**	**16,206**	**11,739**	-	**239,443**	**309,278**
Weighted average interest rate*^	4.00%					
Financial liabilities						
Interest bearing liabilities - bank	901,578	-	-	-	-	901,578
Interest bearing liabilities - other	525,116	-	-	-	-	525,116
Derivatives	-	-	680	-	-	680
Payables	-	-	-	-	78,321	78,321
Total financial liabilities	**1,426,694**	-	**680**	-	**78,321**	**1,505,695**
Notional principal swap balance maturities*	-	592,280	640,900	-	-	1,233,180
Weighted average interest rate on drawn bank debt*	4.30%					

30 June 2022	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	77,704	-	-	-	-	77,704
Loans	-	-	25,006	-	-	25,006
Receivables	-	-	-	-	19,763	19,763
Other financial assets	-	-	-	-	240,469	240,469
Total financial assets	**77,704**	-	**25,006**	-	**260,232**	**362,942**
Weighted average interest rate*^	0.75%					
Financial liabilities						
Interest bearing liabilities - bank	707,571	-	-	-	(5)	707,566
Interest bearing liabilities - other	530,587	-	-	-	-	530,587
Payables	-	-	-	-	75,897	75,897
Total financial liabilities	**1,238,158**	-	-	-	**75,892**	**1,314,050**
Notional principal swap balance maturities*	-	-	-	-	-	-
Weighted average interest rate on drawn bank debt*	1.92%					

* rate calculated for the year ended 30 June

^ weighted average interest rate excludes the impact of derivatives

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

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

		AUD			
	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2023	$'000	$'000	$'000	$'000	$'000
Financial assets	41,777	(418)	-	418	-
Financial liabilities	1,238,327	(6,391)	-	1,759	-

		AUD			
	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2022	$'000	$'000	$'000	$'000	$'000
Financial assets	76,776	(768)	-	768	-
Financial liabilities	1,053,273	10,533	-	(10,533)	-

		NZD			
	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2023	$'000	$'000	$'000	$'000	$'000
Financial assets	113	(1)	-	1	-
Financial liabilities	188,367	1,884	-	(1,884)	-

		NZD			
	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2022	$'000	$'000	$'000	$'000	$'000
Financial assets	928	(9)	-	9	-
Financial liabilities	184,885	1,849	-	(1,849)	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. FINANCIAL INSTRUMENTS (continued)

(d) Fair values

The fair value of the Trust's financial assets and liabilities are approximately equal to that of their carrying values. Details of the Trust's fair value measurement, valuation technique and inputs are detailed below.

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Investment properties	Level 3	Discounted Cash Flow ("DCF") Direct comparison method Income capitalisation method	Adopted capitalisation rate Optimal occupancy Adopted discount rate Rate per unit
Securities - listed	Level 1	Quoted prices (unadjusted) in active market for identical assets or liabilities	Quoted security price
Derivative - financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility

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 2023

11. CONTRIBUTED EQUITY

(a) Issued units	2023 $'000	2022 $'000
Units on issue	344,322	343,372
Issue costs	(9,712)	(9,689)
Total contributed equity	334,610	333,683

	Units	
(b) Movement in units on issue	Number 30 Jun 2023 '000	Number 30 Jun 2022 '000
At 30 June 2022	892,429	818,591
- equity raisings		60,145
- distribution reinvestment plan	1,229	13,693
Units on issue at 30 June 2023	893,658	892,429

12. DISTRIBUTIONS PAID AND PROPOSED

Abacus	2023 $'000	2022 $'000
(a) Distributions paid during the year		
June 2022 half: 6.72 cents per unit (2021: 4.03 cents)	59,978	32,975
December 2022 half: 3.69 cents per unit (2021 half: 2.83 cents)	33,000	23,500
(b) Distributions proposed and recognised as a liability		
June 2023 half: 5.81 cents per unit (2022: 6.72 cents)	51,897	59,978

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

13. PARENT ENTITY FINANCIAL INFORMATION

	2023 $'000	2022 $'000
Results of the parent entity		
Profit for the year	202,189	292,009
Total comprehensive income for the year	**202,189**	**292,009**
Financial position of the parent entity at year end		
Current assets	107,580	112,125
Total assets	**2,504,739**	**2,196,339**
Current liabilities	66,981	5,589
Total liabilities	**1,496,365**	**1,246,205**
Net assets	**1,008,374**	**950,134**
Total equity of the parent entity comprising of:		
Issued capital	334,610	333,683
Retained earnings	673,764	616,451
Total equity	**1,008,374**	**950,134**

(a) Parent entity contingencies

There are no contingencies of the parent entity as at 30 June 2023 (2022: Nil).

(b) Parent entity capital and commitments

	2023 $'000	2022 $'000
Within one year		
- gross settlement of property acquisitions	32,015	43,923
- capital expenditure	34,529	52,771
	66,544	**96,694**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

14. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Trust as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2023 are as follows:

	2023 $'000	2022 $'000
Within one year	89,812	85,344
Within two years	16,359	77,607
Within three years	3,287	10,269
Within four years	663	1,573
Within five years	690	663
	110,811	**175,456**

(b) Capital and other commitments

At 30 June 2023 the Trust had numerous commitments and contingent liabilities which principally related to property acquisition settlements and commitments relating to property refurbishing costs.

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

	2023 $'000	2022 $'000
Within one year		
- capital expenditure	34,529	58,621
- gross settlement of property acquisitions	32,015	43,923
	66,544	**102,544**

(c) Contingencies

At 30 June 2023 the Trust had bank guarantees issued but not recognised as liabilities as follows:

	2023 $'000	2022 $'000
Bank guarantees		
- redevelopment of investment properties	120	100
	120	**100**

15. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

	Equity interest	
Entity	2023 %	2022 %
Abacus Storage Property Trust and its subsidiary:		
Abacus Storage NZ Property Trust	100	100
Chab Weir Street Trust	50	-

(b) Ultimate parent

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. RELATED PARTY DISCLOSURES (continued)

(c) Responsible Entity

The Responsible Entity of ASPT is ASFML, an Australian Financial Services Licence holder, whose immediate and ultimate holding company is AGHL.

Transactions between the Trust and the Responsible Entity results from normal dealings with that company as the Trust's Responsible Entity.

(d) Key management personnel

Details of Key Management Personnel ("KMP") are disclosed in note 16.

(e) Transactions with related parties

	2023 $'000	2022 $'000
Transactions with related parties other than associates and joint ventures		
Revenues		
Rent charged to related party [1]	91,006	73,189
Interest revenue on loan to related party	150	413
Expenses		
Property management fees paid / payable	(10,460)	(8,251)
Interest expense on loan from related party	(9,790)	(4,558)
Other transactions [2]		
Loan advanced from related party	512,159	1,154,097
Loan repayments to related party	(516,869)	(918,873)
Loan advanced to related party	15,653	(34,810)
Loan repayments from related party	(40,653)	21,237

1. Rent is charged to ASOL with a lease term of 3 years.
2. Loans from related parties relate to variable loans provided by another entities within the Group with a facility limit of $550m. The loans are unsecured and the average interest rate is 2.56% with a maturity date of 1 January 2025.

   Loans to related parties relate to fixed rate loans provided to another entities within the Group with a maturity date of 20 December 2024. The loan was fully repaid in October 2022.

Terms and conditions of transactions

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

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

There are no ECL provisions 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 security holder in the Group with a holding of approximately 51.8% of the ordinary securities of the Group (2022: 54%).

Mrs Myra Salkinder is the Chair of ASFML and is a senior executive of Kirsh. Ms Myra Salkinder ceased to be a director of ASFML on 3 August 2023. Mr Mark Bloom is a Non-Executive Director of ASFML and is a consultant to Kirsh.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. RELATED PARTY DISCLOSURES (continued)

(f) Fees

ASFML provides management and investment accounting services to the Trust.

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

The Responsible Entity receives all management fees that have been paid by the Trust during the year. In accordance with the Trust's constitution, the Responsible Entity is entitled to receive an annual management fee of 0.85% (2022: 0.85%) of the total assets of the Trust under the terms of the Constitution. The actual management fee charged was 0.43% (2022: 0.43%). The fees are paid on a monthly basis. Total fees paid to the Responsible Entity during the year for management of the Trust were $10.5 million (2022: $8.3 million).

As at the balance sheet date, $0.2 million (2021: $0.1 million) was owed to the Responsible Entity in relation to management fees. During the period the Responsible Entity incurred no expenses on behalf of the Trust.

The Trust invests in other trusts operated by the Responsible Entity, and the Responsible Entity has rebated its fee to the Trust to ensure that there is no duplication of fees recovered from the other trusts.

16. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management

(i) Directors

The Directors of ASFML are considered to be KMP of the Trust. The Directors of the Responsible Entity in office during the year and up to the date of the report are

Myra Salkinder	Chair (Non-executive) (retired 3 August 2023)
John O'Sullivan	Chair (Non-executive) (appointed 13 June 2023)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director (retired 3 August 2023)
Mark Bloom	Non-executive Director
Stephanie Lai	Non-executive Director (appointed 13 June 2023)
Karen Robbins	Non-executive Director (appointed 13 June 2023)
Mark Haberlin	Non-executive Director (Lead Independent) (retired 3 August 2023)
Sally Herman	Non-executive Director (appointed 15 December 2022) (retired 3 August 2023)
Holly Kramer	Non-executive Director (retired 23 November 2022)
Jingmin Qian	Non-executive Director (retired 3 August 2023)

(ii) Executives

Executives KMP	Role	Date Appointed
Steven Sewell	Managing Director (MD)	
Evan Goodridge	Chief Financial Officer (CFO)	1 July 2022
Gavin Lechem	Chief Investment Officer (CIO)	

(b) Compensation for key management personnel

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

(c) Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2023 or in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

(b) Statement of Compliance

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

(c) New accounting standards and interpretations

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 Trust.

- 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 Trust.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) New accounting standards and interpretations (continued)

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to AASB 116

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 Trust.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to AASB 137

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

The Trust will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments had no impact on the consolidated financial statements of the Trust.

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.

17. 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 Trust for the annual reporting period ended 30 June 2023. The significant new standards or amendments are outlined below:

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

  The amending standard made amendments to the following standards:

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

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

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

  Definition of Accounting Estimates – Amendments to AASB 108

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

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

- 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 Trust is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require amendments.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

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

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

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

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

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

Non-controlling interests are allocated their share of net profit after tax in the consolidated income statement and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

(e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

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

Rental income

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

Finance Income

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

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

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

Dividends and distributions

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

Net change in fair value of investments held at balance date

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

(g) Expenses

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

(h) Cash and cash equivalents

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

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

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

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

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

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

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

(j) Investments and other financial assets

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

Financial assets in the scope of AASB 9 *Financial Instruments* are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The Trust determines the classification of its financial

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Subsidiaries

Investment in subsidiaries are held at lower of cost or recoverable amount as disclosed within the parent entity note.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investment properties

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leases

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

Trust as lessee

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

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

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

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred; and

– any restoration costs.

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

Trust as a lessor

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

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

(m) Trade and other payables

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

(n) Distributions

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

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

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest-bearing loans and borrowings

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

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

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

Borrowing Costs

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

(p) Contributed equity

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

(q) Taxation

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

Trust income tax

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

New Zealand

The trusts that operate in New Zealand ("NZ") are treated as a company for NZ income tax purposes and are taxed at the corporate tax rate of 28% (2022: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxation (continued)

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.

(r) Earnings per unit (EPU)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

18. AUDITOR'S REMUNERATION

	2023 $	2022 $
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	318,825	267,568
- Other services		
- due diligence services	263,256	-
	582,081	**267,568**

19. EVENTS AFTER BALANCE SHEET DATE

Subsequent to the financial year end:

- On 27 July 2023, securityholders voted to de-staple Abacus Storage King from Abacus Property Group with the de-stapling being completed on 4 August 2023.
- In conjunction with the de-stapling, a fully underwritten 1-for-5.6 pro rata security offer in Abacus Storage King was completed at an issue price of $1.41 per stapled Abacus Storage King security which raised $225 million.
- Abacus acquired a minority investment of 19.9% of the Abacus Storage King Securities on issue.

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

   (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2023 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 17(b); and

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

On behalf of the Board

John O'Sullivan
Chair
Sydney, 18 August 2023

Steven Sewell
Managing Director

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Independent auditor's report to the unitholders of Abacus Storage Property Trust

Report on the audit of the financial report

Opinion

We have audited the financial report of Abacus Storage Property Trust (the Trust) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of Abacus Storage Funds Management Limited, the Responsible Entity of the Trust.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 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.

Building a better working world

Investment Properties

Why significant	How our audit addressed the key audit matter

The Group's total assets include investment properties. These assets are carried at fair value, which was assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at the reporting date.
 	
As disclosed in Note 4, the valuation of investment properties is inherently subjective given there are alternative assumptions and valuation methods that may result in a range of values. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a significant change to the valuation of investment properties.
 	
Two approaches are generally used: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the valuers derive their best estimate of the value at a point in time.
 	
We have considered this a key audit matter due to the number of judgments required in determining fair value. For the same reasons we consider it important that attention is drawn to the information in Note 4 in assessing the property valuations at 30 June 2023.
	Our audit procedures included the following:
	• We discussed the following matters with management:
	  ◦ movements in the Group's investment property portfolio;
	  ◦ changes in the condition of each property including tenancy matters and development status;
	
	• On a sample basis, we performed the following procedures for selected properties:
	  ◦ Evaluated the key valuation assumptions and agreed passing rental income to tenancy schedules. These assumptions and inputs included the adopted capitalisation rate and a number of leasing assumptions including market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure. We assessed the accuracy of tenancy reports which are used as source data in the property valuations by testing a sample of leases to the tenancy reports.
	  ◦ Tested the mathematical accuracy of valuations.
	  ◦ Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies.
	  ◦ Where relevant we compared the valuation against comparable transactions utilised in the valuation process.
	  ◦ Evaluated the suitability of the valuation methodology based on the type of asset.
	  ◦ Assessed the qualifications, competence and objectivity of the valuers.

Information other than the financial report and auditor's report thereon

The directors of the Responsible Entity of the Trust are responsible for the other information. The other information comprises the information included in the Trust's 2023 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

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

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

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

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

Ernst & Young

Ernst & Young

A Ewan

Anthony Ewan
Partner
Sydney
18 August 2023