

# Appendix 4E

## Abacus Property Group

(comprising Abacus Group Holdings Limited and its controlled entities, Abacus Trust and its controlled entities, Abacus Income Trust and its controlled entities, Abacus Group Projects Limited and its controlled entities, Abacus Storage Property Trust and its controlled entities and Abacus Storage Operations Limited and its controlled entities)

**ABN: 31 080 604 619**

## Annual Financial Report

For the year ended 30 June 2022

### Results for announcement to the market

(corresponding period: year ended 30 June 2021)

Total revenues and other income	up	42%	to	\$740.8m
Net profit after income tax expense attributable to stapled security holders	up	40%	to	\$517.2m
Funds from operations ("FFO") <sup>(1)</sup>	up	18.0%	to	\$160.9m

(1) FFO has been determined with reference to the updated Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare many different AREITs. FFO is calculated by adding back tenant incentive amortisation, depreciation on owner occupied property, plant & equipment (PP&E), change in fair value of investments derecognised and held at balance date, impairment of inventory and non-FFO tax benefit/expense to statutory profit.

	30 June 2022	30 June 2021
Basic earnings per security (cents)	61.11	49.84
Basic funds from operations per security (cents)	19.01	18.40
Distribution per security (cents - including proposed distribution)	18.00	17.50
Weighted average securities on issue (million)	846.3	741.1

Distribution	per stapled security
June 2022 half year	9.25 cents
This distribution was declared on 27 June 2022 will be paid on 31 August 2022.	
Record date for determining entitlement to the distribution	1 July 2022

Refer to the attached announcement for a detailed discussion of the Abacus Property Group's results and the above figures for the year ended 30 June 2022.

Details of individual and total distribution payments	per stapled security	Total	
Half December 2021 distribution	paid 28 February 2022	8.75	\$72.8m
The distribution was paid in full by Abacus Trust, Abacus Income Trust and Abacus Storage Property Trust which do not pay tax, hence there were no franking credits attached.			

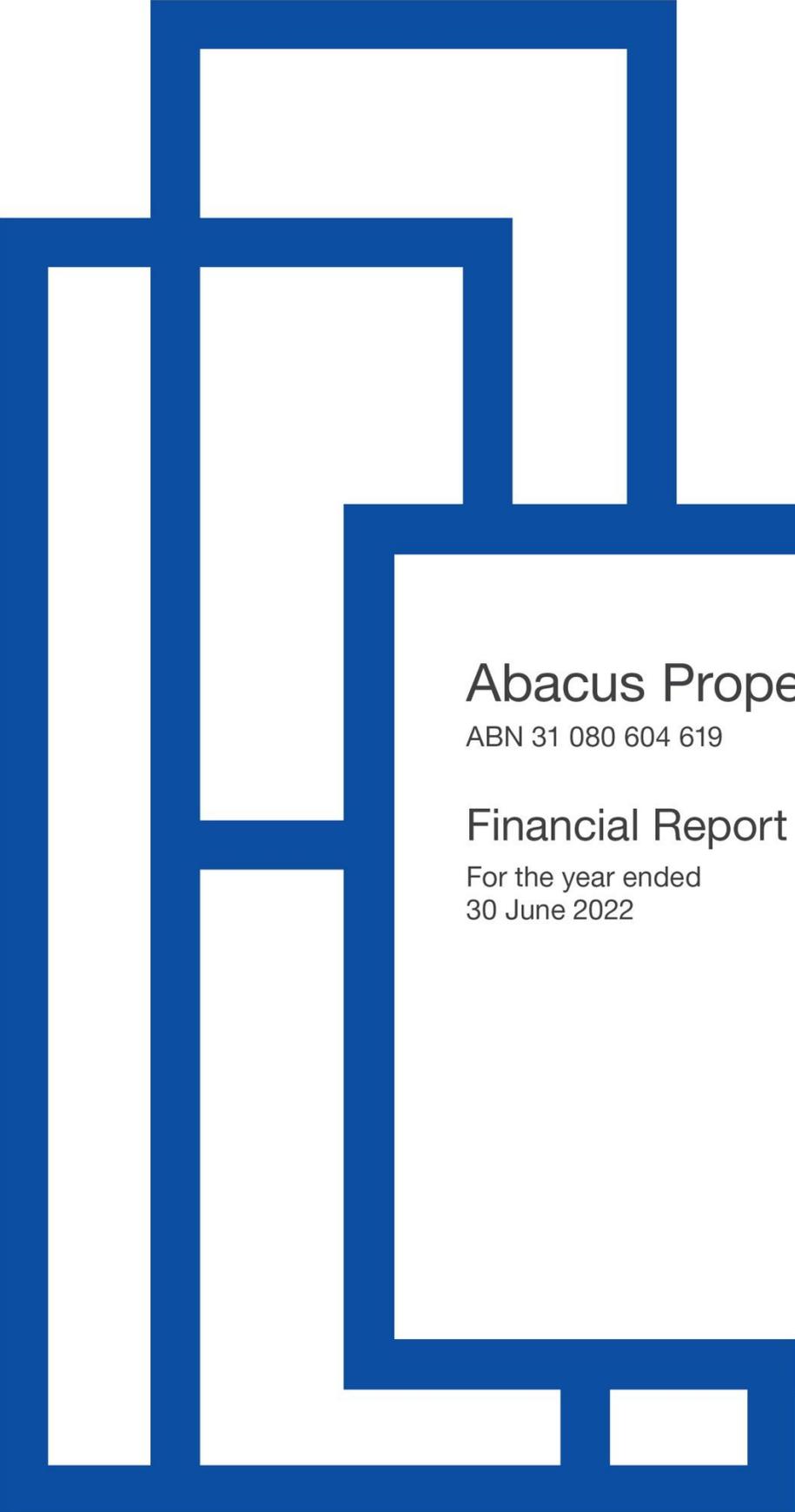
	30 June 2022	30 June 2021
Net tangible assets per security <sup>(2)</sup>	\$3.85	\$3.43

(2) Net tangible assets per security excludes external non-controlling interest.

### Distribution Reinvestment Plan (DRP)

The Abacus Property Group DRP allows securityholders to reinvest their distributions into ABP securities. Information on the terms of the DRP is available from our website [www.abacusproperty.com.au](http://www.abacusproperty.com.au).

Securityholders wishing to participate in the DRP may lodge their election notice at any time. The record date for determining entitlements to each distribution is also the record date for participation in the DRP for that distribution.



# Abacus Property Group

ABN 31 080 604 619

## Financial Report

For the year ended  
30 June 2022

# ANNUAL FINANCIAL REPORT

30 June 2022

## Directory

### Abacus Group Holdings Limited

ABN: 31 080 604 619

### Abacus Group Projects Limited

ABN: 11 104 066 104

### Abacus Storage Operations Limited

ABN: 37 112 457 075

### Abacus Funds Management Limited

ABN: 66 007 415 590

### Abacus Storage Funds Management Limited

ABN: 41 109 324 834

### Registered Office:

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264-278 George Street  
SYDNEY NSW 2000  
Tel: (02) 9253 8600  
Fax: (02) 9253 8616  
Website: [www.abacusproperty.com.au](http://www.abacusproperty.com.au)

### Custodian:

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

### Directors of Responsible Entities and

#### Abacus Group Holdings Limited:

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

#### Company Secretary:

Rebecca Pierro

#### Auditor (Financial and Compliance Plan):

Ernst & Young  
200 George Street  
SYDNEY NSW 2000

#### Share Registry:

Boardroom Pty Ltd  
Level 12, 225 George St  
SYDNEY NSW 2000  
Tel: 1300 737 760  
Fax: 1300 653 459

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

## DIRECTORS' REPORT

30 June 2022

The Directors of Abacus Group Holdings Limited ("AGHL"), Abacus Funds Management Limited ("AFML") – the Responsible Entity of Abacus Trust ("AT") and Abacus Income Trust ("AIT"), Abacus Group Projects Limited ("AGPL"), Abacus Storage Funds Management Limited ("ASFML") – the Responsible Entity of Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL") present their report for the year ended 30 June 2022.

### PRINCIPAL ACTIVITIES

The principal activities of Abacus Property Group during the year were investment in and operation of self storage and investment in commercial properties, along with completing the wind down of legacy investments in property developments. Abacus Property Group is a strong asset backed, annuity style business where capital is directed towards assets that provide potential for enhanced income growth to generate increased total returns and create value.

### OPERATING AND FINANCIAL REVIEW

The operating and financial review is intended to convey the Directors' perspective of Abacus Property Group and its operational and financial performance. It sets out information to assist securityholders to understand and interpret the financial statements included in this report prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"), as issued by the 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.

#### *Listed Structure / Entities*

The listed Abacus Property Group is a property group that operates predominantly in Australia & NZ. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL and its securities trade on the Australian Securities Exchange ("ASX") as ABP. Abacus is included in 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 Property Group was listed on the ASX in November 2002 and its market capitalisation was \$2.3 billion at 30 June 2022.

Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt without the others and are traded together on the ASX as Abacus Property Group securities. An Abacus Property Group 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.

AGHL, AGPL and ASOL are companies that are incorporated and domiciled in Australia. AT, AIT and ASPT are Australian registered managed investment schemes. AFML is the Responsible Entity of AT and AIT and ASFML is the Responsible Entity of ASPT. Both AFML and ASFML are incorporated and domiciled in Australia and are wholly-owned subsidiaries of AGHL.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2022 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities and ASPT.

The principal activities of Abacus that contributed to its earnings during the year ended 30 June 2022 were investment in self storage and commercial properties to derive rental and management and other fee income.

These activities are reported in the segment information note.

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### GROUP STRATEGY

Abacus (or the "Group"), is positioned as a strong asset backed business with key investment concentrated in self storage and commercial property sectors. 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. The Group looks for investments in the self storage and commercial sectors that can provide strong and stable cash-backed distributions, with potential for capital and income growth, In particular we:

- Focus on our specialised knowledge, repositioning capability and market insight.
- Continue to strategically invest in assets in major markets with a clear path to sustainable income growth.
- Drive 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.

Experience has shown that strict adherence to the Group's fundamental investment criteria enables it to buy assets well and provide opportunities for outperformance while minimising downside risk to value.

The Board monitors a range of financial information and operating performance indicators to measure performance over time. Funds from operations ("FFO") is the key measure that Abacus uses to monitor the financial success of its overall strategy.

	2022	2021
<b>Revenue (\$ million)</b>	319.6	257.6
<b>Total income (\$ million)</b>	740.8	532.5
<b>Statutory net profit excluding non-controlling interests (\$ million)</b>	517.2	369.4
<b>Funds from operations (\$ million)</b>	160.9	136.4
<b>Funds from operations per security (cents)</b>	19.01	18.40
<b>Distributions per security (cents)</b>	18.00	17.50
<b>Interest cover ratio</b>	6.1x	8.8x
<b>Weighted average securities on issue (million)</b>	846.3	741.1

The Group earned a statutory net profit excluding non-controlling interests of \$517.2 million for the year ended 30 June 2022 (2021: \$369.4 million). This profit has been calculated in accordance with Australian Accounting Standards. It includes certain significant items that need adjustment to enable securityholders to obtain an understanding of the Group's FFO of \$160.9 million (2021: \$136.4 million).

FFO is derived from the statutory profit and presents the results of the ongoing business activities in a way that reflects the Group's underlying performance. FFO is the basis on which distributions are determined.

FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation, depreciation on owner occupied property, plant & equipment (PP&E), change in fair value of investment properties derecognised, capital costs, unrealised fair value gains / losses on investment properties, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), and other non-recurring adjustments deemed significant on account of their nature and non-FFO tax benefit/expense.

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### GROUP RESULTS SUMMARY (continued)

The reconciliation between the Group's statutory profit excluding non-controlling interests and FFO is below. This reconciliation has not been reviewed or audited by the Group's auditor.

	2022	2021
	\$'000	\$'000
<b>Consolidated statutory net profit after tax attributable to members of the Group</b>	<b>517,165</b>	<b>369,409</b>
<b>Adjust for:</b>		
Net change in fair value of investment properties and property, plant and equipment derecognised	1,035	(2,562)
Net change in fair value of investment properties and property, plant and equipment held at balance date	(345,550)	(237,433)
Net change in fair value of investments and financial instruments held at balance date	(17,907)	(2,749)
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(4,321)	(9,401)
Impairment charge	4,903	-
Depreciation on owner occupied property, plant and equipment	4,307	3,682
Net change in fair value of derivatives	(28,101)	4,571
Amortisation of rent abatement incentives	9,687	7,265
Amortisation of other tenant incentives and finance costs	5,562	631
Straightline of rental income	(1,881)	(939)
Movement in lease liabilities	(1,478)	(1,056)
Net tax (benefit) / expense on non-FFO Items	17,455	4,953
<b>Abacus funds from operations ("FFO")</b>	<b>160,876</b>	<b>136,371</b>
	<b>2022</b>	<b>2021</b>
Basic earnings per security (cents)	61.11	49.84
Basic FFO per security (cents)	19.01	18.40
Distribution per security (cents - including proposed distribution)	18.00	17.50
Weighted average securities on issue (million)	846.3	741.1

During the year, the Group continued to focus its investment capital on acquisitions across the self storage and commercial property sectors in line with its capital allocation strategy. This strategy is focused on growing recurring earnings. In the year ended 30 June 2022, the Group's net property income increased by 34.5% to \$221.4 million (2021: \$164.6 million).

In the self storage sector, the Group 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 Group acquired an additional 26 self storage sites for \$466.8 million, being:

- **NSW (18 sites):** Artarmon, two sites in Chatswood, Cromer, Gladesville, Gregory Hills, Kings Park, Leppington, Marsden Park, Mascot, Mittagong, Morisset, North Wyong, Pymble, Raymond Terrace, South Windsor, St Leonards, Wollongong
- **QLD (6 sites):** Brendale, Burleigh Heads, Helensvale, Hope Island, Kunda Park, Upper Coomera
- **VIC (1 site):** Knoxfield
- **WA (1 site):** Osborne Park

The Group also committed to purchase five additional self storage properties, yet to settle, for \$46.7 million, further cementing our standing as a high conviction investor in the self storage property market.

In the commercial property sector, the Group added to its portfolio of investments in selected CBD and near CBD/fringe markets. During the year, the Group acquired the office building known as 77 Castlereagh Street, in the Sydney CBD for \$252 million and a 33% interest in the property known as "Myer Melbourne", at 314-336 Bourke Street, in the Melbourne CBD for \$135.2 million. Both investments are considered long term high quality locations, with strong tenant appeal.

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### GROUP RESULTS SUMMARY (continued)

The increase in the Group's statutory net profit excluding non-controlling interests compared to the prior period was principally due to:

- increase in the fair value of mainly the self storage property portfolio by \$305.2m due to both improved performance and capitalisation rate compression; and
- increased rental income due primarily to acquisitions during the year and the full ownership of prior year acquisitions.

Key capital metrics of the Group are:

	2022	2021
<b>Total assets (\$ million)</b>	5,407.1	4,059.1
<b>Gearing<sup>^</sup> (%)</b>	28.7	22.5
<b>Net assets (\$ million)</b>	3,501.1	2,901.9
<b>Net tangible assets (\$ million)</b>	3,432.4	2,810.9
<b>NTA per security (\$)</b>	3.85	3.43

<sup>^</sup> Gearing calculated as bank debt minus cash divided by total assets minus cash

The increase in total assets of the Group by 33.2% reflects the increase in both the net acquisitions and revaluation gains of the self storage and commercial investment property portfolios during the period.

The increase in net assets of the Group by 20.6% reflects the capital raised during the period and an increase in retained earnings mainly driven by revaluation gains for the Group's investment properties.

#### **Capital management**

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

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

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

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

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

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

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### KEY SEGMENT RESULTS SUMMARY

Business activities that specifically contributed to the Abacus' operating performance and financial condition for the financial year were:

#### Property Investment

##### Self storage portfolio

The Group's self storage portfolio delivered a segment result of \$429.2 million for the year ended 30 June 2022. This represents a 36.1% increase on FY21's result of \$315.3 million and can be mainly attributed to increases in self storage fair value gains. The self storage portfolio equated to \$2,591.8 million which is made up of 119 assets (trading and development sites) – an increase of 26 facilities during the period, plus a number of other investments.

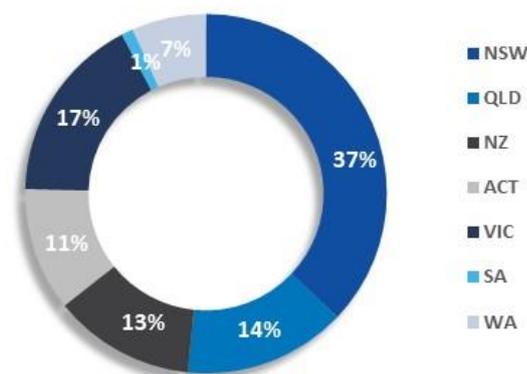
##### Valuations

As part of the 2022 valuation process, 71 self storage facilities out of 119 or 60% by number were independently valued during the year to 30 June 2022. The remaining facilities were subject to internal valuations and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$305.2 million (2021: \$227.9 million gain).

The self storage portfolio is well diversified in Australia and New Zealand.

	Self Storage
Portfolio value	\$2,591.8 million
No. of assets	119
Occupancy <sup>1</sup> (% by area)	93.2%
WACR <sup>1,2</sup>	5.5%
RevPAM <sup>1,3</sup>	\$301 psqm
Average rate <sup>1,4</sup>	\$323 psqm

#### Self Storage Portfolio: \$2.6 billion



1. Established portfolio

2. WACR: Weighted Average Capitalisation Rate

3. Revenue per available square metre

4. Average over last 12 months (by area)

The Group has continued with its stated strategy of allocating investment capital to growing exposure to the self storage sector. The Group acquired 17 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. The Group has determined a strategic priority to growing its presence in main metropolitan areas of Brisbane, Sydney and Melbourne.

The self storage portfolio's established assets are the key contributor to underlying growth across the portfolio. The self storage portfolio continued to perform well, generally across both the Australian and New Zealand markets.

Over the period, the established portfolio's (62 assets that have been owned/operated for 24 months or longer) occupancy increased from 91.0% to 93.2% and the average rental rate increased from \$285/m<sup>2</sup> to \$323/m<sup>2</sup>. This increased the portfolio's revenue per available metre (RevPAM) from \$260/m<sup>2</sup> to \$301/m<sup>2</sup>. RevPAM measures the profitability and efficiency of the portfolio.

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### KEY SEGMENT RESULTS SUMMARY (continued)

In addition, with an increased focus and capital allocation, the development pipeline of planned self storage assets currently numbers 14 assets, with a combined carrying value of \$169.7 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 and commence trading, to reach forecast optimum occupancy levels. It is anticipated that these assets will enhance the average rental rate and RevPAM across the established portfolio over time.

During the period, the Group maintained full control of the self storage management business of Storage King. The Group 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 Group's key sectors.

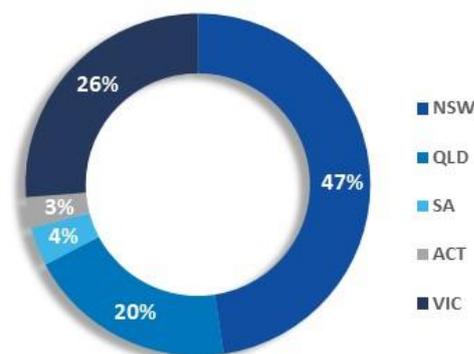
#### Commercial portfolio

The Group's commercial portfolio delivered a segment result of a \$127.9 million profit for the year ended 30 June 2022. This represents a 32.4% increase on FY21's result of \$96.6 million and can be mainly attributed to increases in investment properties fair value gains of \$40.3 million. The commercial portfolio consists of 24 assets (2021: 28 assets) and had a total value of \$2.5 billion at year end (2021: \$2.0 billion).

Commercial	
Portfolio value	\$2,516.9 million
No. of assets	24
Occupancy (% by area)	95.0%
WALE (yrs by income)	4.6yrs
WACR <sup>1</sup>	5.3%

1. WACR: Weighted Average Capitalisation Rate

#### Commercial Portfolio: \$2.5 billion



During the year Abacus acquired commercial properties that met the Group's investment criteria:

- Acquisition of a 33% interest in the CBD Department store property known as "Myer Melbourne", 314-336 Bourke Street, Melbourne VIC for \$135.2 million settled in July 2021.
- Purchase of a 100% interest in the CBD Office building, 77 Castlereagh Street, Sydney NSW, for \$252 million which settled in February 2022.
- Abacus acquired future development sites at 181 James Ruse Drive, Camellia NSW and 56 Prescot Parade, Milperra NSW which settled in in May 2022, converting its interest from lender to owner.

Abacus divested eight non-core properties during the year, and sold a 50% interest in 710 Collins Street, Docklands VIC, to form a new strategic partnership with the Walker Corporation.

After all the changes in the portfolio from acquisitions and divestments, in the context of a mixed leasing environment, the overall portfolio occupancy increased from 94.7% at 30 June 2021 to 95.0% at 30 June 2022. Like for like rental growth increased 4.9% for the existing portfolio which excludes development affected assets.

#### Impact of the COVID-19 pandemic

The Group continues to monitor, in each relevant sub-market, the enduring impacts of the last two years of COVID-19 impacts. As a general comment, the impacts to cashflows at all assets is substantially reduced, and in some markets, negligible, however with the latest outbreak numbers and Government instructions of "work from home", it remains a watching brief.

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### KEY SEGMENT RESULTS SUMMARY (continued)

Following the success of the Group's tenant engagement program implemented in March 2020, the Group continues to communicate with all tenants, particularly the tenants which businesses have been severely impacted by the COVID-19 pandemic. In assessing requests for any future rental support, at all times, Abacus has complied with the National Cabinet Mandatory Code of Conduct for SME Commercial Leasing Principles during COVID-19 ("Code"). In addition, rental support has been provided to tenants who do not qualify under the Code in return for extension of leases where possible, in order to assist in the retention of these tenants considered worthy over the medium term.

During the year ended 30 June 2022, the amount of rent concessions provided to tenants was \$1.6 million (2021: \$2.8 million) with 75% (2021: 72%) or \$1.2 million (2021: \$2.0 million) provided in the form of a rent waiver. The total amount of rent concessions provided to tenants since March 2020 to 30 June 2022 is \$8.4 million with 67% or \$5.6 million provided in the form of a rent waiver. The rent concessions represent 1% of rental income (2021: 2%) and \$1.5 million has been amortised in the year ended 30 June 2022 (2021: \$1.7 million), with the remaining rent waivers amortised over the life of the leases as lease incentives.

The balance 25% (2021: 28%) of the rent concessions has been provided to tenants in the form of a rent deferral recoverable under the Code over a minimum of two years or the life of the lease whichever is longer. In support of the rent waivers, the Group received \$1.5 million of rebates from the state governments during the year (2021: \$1.3 million). Since the balance date, there has been no material change to the amount of rent concessions provided to tenants.

Due to the COVID-19 pandemic, it is expected that short to medium term downside risks to demand and rental growth will emerge. Going forward, some businesses may reassess their future workspace needs and an extensive work from home period may accelerate changes in the use and demand for some office space. Whether that translates to less shared workspaces (such as hot-desking), an increase in flexible work arrangements or a demand for more space to comply with physical distancing requirements, remains to be seen.

The nature of the assets and tenant customers for the Group, being predominantly SME (small and medium sized enterprises), 65% by number, is considered to be a mitigant to any major exposure for negative impacts going forward.

#### *Valuations*

The COVID-19 pandemic has created unprecedented uncertainty in the short to medium term economic environment, in particular, the continued lack of market transactions, which are ordinarily a strong source of evidence for valuations of investment properties. Further considerations in relation to the COVID-19 pandemic and impact on property valuations are detailed in note 5 of the financial statements.

As part of the 2022 portfolio valuation process, 12 out of 20 of the commercial properties (excluding equity accounted properties) or 60% by number were independently valued during the year to 30 June 2022. The remaining properties were subject to internal valuation and, where appropriate, their values were adjusted.

Abacus believes that its portfolio remains robust in the current conditions, given the majority of the Group's investments are:

- Well located in CBD or suburban locations with low and often below market average rent levels;
- Limited exposure to full floor or multi-floor tenants; and
- Managed to better than average quality sustainability standards and usually offer contemporary building facilities.

As a result of these features, the Group's building tenants are usually strongly connected to the property's location, and so have a positive predisposition to remain.

As a result of current market conditions and a shift in future expectations in the office sector, Abacus has targeted assets that offer more stabilised income streams with longer dated value enhancing strategies. This capital allocation strategy supports the Group's drive to improve recurring earnings.

#### **Property Development**

The Property Development business delivered a segment result of \$0.9 million (2021: \$0.9 million) and during the FY22 year, completed the wind down of all legacy investments.

## DIRECTORS' REPORT

30 June 2022

### OPERATING AND FINANCIAL REVIEW (continued)

#### ABACUS FUTURE PROSPECTS

The Group confirms its strategic direction giving prominence to key sectors where the Group believes it has a clear competitive advantage. Abacus' future capital allocation framework will focus upon continuing to increase its exposure to the self storage and commercial property sectors.

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

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

Funds from operations should continue to increase. Growth in revenue through further acquisitions will be driven or limited by Abacus' ability to access new opportunities that deliver the Group's required equity returns in desired markets. The different characteristics of each leasing market, particularly Office sectors across different states, have the potential to increase volatility in rental revenue especially in this post COVID-19 environment.

#### ABACUS RISK MANAGEMENT APPROACH

Abacus has a structured approach to the management of its risks and opportunities, where:

- Risk management principles and techniques are incorporated into all business processes.
- Decisions are made within a defined and approved risk appetite that do not expose Abacus to unacceptable levels of risk that may adversely impact its strategic growth plan while allowing it to maximise opportunities in a structured way.
- Abacus' resources, people, financial and capital resources, knowledge, and reputation are safeguarded.
- A risk culture is embedded where all employees accept responsibility for risk management.

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

#### *Risk Management Three Lines of Accountability*

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



**DIRECTORS' REPORT**

30 June 2022

**OPERATING AND FINANCIAL REVIEW (continued)**

**ABACUS RISK MANAGEMENT APPROACH (continued)**

*Risk Appetite*

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

**ABACUS KEY RISK AREAS**

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

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

**DIRECTORS' REPORT**

30 June 2022

**OPERATING AND FINANCIAL REVIEW (continued)**

**ABACUS KEY RISK AREAS (continued)**

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

## DIRECTORS' REPORT

30 June 2022

### DIRECTORS AND SECRETARY

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

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

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

Myra is a member of the Sustainability & WHS Committee.

Tenure: 11 years

**Steven Sewell** BSc Managing Director

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

Tenure: 4 years 2 months

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

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

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

Tenure: 2 year 9 months

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

Mark is a Non Independent, 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 engaged as an adviser to the Kirsh Group in Australia.

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

Tenure: 1 year

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

Mark is a Non-Executive Director and is 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 Laybuy Holdings Limited and Australian Clinical Labs.

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

Tenure: 3 years 7 months

**Holly Kramer** BA (Hons) Econ/Political Science, MBA

Holly is a Non-Executive Director and brings a significant range of skills and expertise, including executive leadership and management positions in product, marketing and sales.

## DIRECTORS' REPORT

30 June 2022

### DIRECTORS AND SECRETARY (continued)

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

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

Tenure: 3 years 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, strategic management and cross-cultural management. Jingmin has served as a member of the business liaison program of the Reserve Bank of Australia. Jingmin is a Non-Executive Director of IPH Limited, a director of Club Plus Super, a member of Macquarie University Council, a director of the Australia China Business Council and Chair of the Foundation for Australian Studies in China.

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

Tenure: 5 years

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

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

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

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

### Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of AGHL, AFML (the Responsible Entity of AT and AIT), AGPL, ASFML (the Responsible Entity of ASPT) and 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	10	10	2	2	2	2	4	4	1	1
S Sewell	10	10	-	-	-	-	-	-	1	1
T Alston	10	10	4	4	3	3	-	-	1	1
M Bloom	10	10	2	1	1	1	-	-	-	-
M Haberlin	10	9	4	4	3	3	-	-	1	1
H Kramer	10	10	-	-	3	3	4	4	1	1
J Qian	10	10	4	4	-	-	4	4	1	1

### Indemnification and Insurance of Directors and Officers

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

**DIRECTORS' REPORT**

30 June 2022

**DIRECTORS AND SECRETARY (continued)**

**Indemnification of Auditors**

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

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### Letter from the Chair of the People Performance Committee

On behalf of the People Performance Committee and the Board, I am pleased to present the Remuneration Report for FY22.

This report highlights the new Abacus Performance and Reward framework, which promotes further alignment between the incentives of executive KMP with the interests of securityholders. The framework aims to reward, engage, and develop our people focusing on value creation for our customers and community. We are mindful that our framework may need to evolve as we make further progress with our strategy, and we continue to monitor market trends to ensure that it remains fit for purpose.

#### FY22 performance

Abacus is positioned as a strong asset backed, annuity style A-REIT focused on the ownership and management of Commercial and Self Storage real estate and operation of storage locations.

FY22 has been a significant year, as we have collectively delivered strong results. The Group is substantially larger, with de-risked assets and income streams and most importantly, we are positioned for an exciting future, with prospects in both Commercial and Self Storage real estate.

Abacus' Funds from Operations ("FFO") profit result exceeded target and the team has made significant progress during FY22 on delivery of our business priorities. This was an FY22 key performance indicator (KPI) set by the Board.

Of note, the Group:

- undertook strategic capital transactions investing over \$1 billion in Commercial and Self Storage assets;
- had strong performance in its established Self Storage portfolio with growth in RevPAM of 16%;
- maintained high levels of Commercial occupancy at 95%;
- completed the wind down of its non-core legacy residential mortgage business;
- refinanced over \$2 billion of debt and increased its fixed hedging profile;
- remains well supported by both our equity and debt investors, raising c.\$1 billion in capital throughout the year;
- while the market was challenging for all A-REITs, Abacus made great progress on our strategy and business fundamentals;
- implemented new information technology and core financial systems; and
- achieved high level of employee engagement.

#### FY22 KMP changes

Mark Bloom joined the Board in July 2021 as a non-independent Director and has brought an extensive range of listed real estate skills and expertise relevant to the Board.

The Abacus Board has overseen a leadership transition through planned succession during the year:

- Gavin Lechem was appointed to the Chief Investment Officer (CIO) and Executive KMP position in October 2021 to oversee the development and deployment of specialist property funds.
- Our long serving Chief Financial Officer (CFO), Rob Baulderstone stepped down from his CFO and KMP position, effective 30 June 2022. The Board would like to take this opportunity to thank Rob for his invaluable contribution to the success of the Group.
- Evan Goodridge, General Manager, Finance was promoted to the role of Chief Financial Officer and Executive KMP effective from 1 July 2022.

There have been no other changes.

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)****FY22 Remuneration**

Key outcomes for the year included:

- Executive Key Management Personnel fixed pay was adjusted only for the CFO, with a 2% increase.
- The FFO profit result in FY22 exceeded maximum requirements against a 40% weighting within the STI balanced scorecard for Executive KMP.
- STI awards for Executive KMP correlated with annual performance outcomes against expectations, with payments averaging 91.1% of maximum STI. In FY22, a 25% STI deferral was introduced and further details on the STI Plan can be found on page 25.
- The legacy Deferred Variable Incentive Plan ("Security Acquisition Rights" or "SARs") are expected to vest in September 2022 as a result of sustained performance since grant. This plan has now been replaced by the Long Term Incentive ("LTI") Plan. Securityholders approved the LTI Plan in November 2021 and offers were made to all KMP executives. The Plan rewards performance that exceeds an FFO per security growth benchmark. Details are on page 27.
- Following an independent market review, NED fees were increased. The fees were last increased in July 2017. Details can be found on page 33.

**Minimum Securityholding**

The Board recognises the importance of aligning the interests of its KMP with the long term interests of Abacus' securityholders. With this in mind I am pleased to advise that the Board approved the introduction of a minimum security holding policy. Further information can be found in sections 5 & 6.

On behalf of the Board, I wish to extend our thanks to the Executive leadership team and employees across the Group.

Trent Alston

**Chair – People Performance Committee**

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

The Board presents the FY22 Remuneration Report for Abacus in accordance with the Corporations Act 2001 and its regulations. This report outlines the key remuneration policies and practices for the year ended 30 June 2022.

It highlights the link between remuneration and corporate performance and provides detailed information on the remuneration for Key Management Personnel (KMP).

This remuneration report is set out under the following headings:

Section	What it covers	Page
1	Who is covered by this report	17
2	Remuneration snapshot FY22	18
3	FY22 How did we perform	20
4	Executive KMP remuneration	21
5	Remuneration governance and framework	24
6	Non-Executive Director remuneration	33
7	Additional required disclosures	36

#### 1. Who is covered by this report – Key Management Personnel

For the purposes of this report, the KMP are those persons who for the purposes of the accounting standards are considered to have authority and responsibility for planning, directing, and controlling the major activities of the Group in Tables 1 and 2 below.

**Table 1 –Non-Executive Directors (NED)**

Name	Role
Myra Salkinder	Chair of the Board
Mark Bloom	Non-Executive Director
Mark Haberlin	Non-Executive Director
Holly Kramer	Non-Executive Director
Jingmin Qian	Non-Executive Director
Trent Alston	Non-Executive Director

**Table 2 – Executive Key Management Personnel (Executive KMP)**

Name	Role	Date Appointed KMP	Date Ceased KMP
Steven Sewell	Managing Director (MD)	October 2017	-
Gavin Lechem	Chief Investment Officer (CIO)	October 2021	-
Rob Baulderstone	Chief Financial Officer (CFO)	November 2012	30 June 2022

#### Changes to the Executive KMP FY22

In October 2021, Gavin Lechem was appointed to the newly created position of Chief Investment Officer. This key role is crucial to the operating model of Abacus and reflects the significance and prominence of our growth and investment strategy. This promotion is in recognition of Gavin's contribution throughout the strategy transition, his high standards, professional integrity, and his support of key transactions.

Rob Baulderstone stepped down from his position of Chief Financial Officer and Executive KMP from 30 June 2022.

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)**

**2. Remuneration snapshot FY22**

Fixed Remuneration (FR)	STI Outcome cash	STI Outcome Deferral	NED Remuneration
There were no changes to MD FR for FY22.  The CFO received a 2% increase effective 1 July 2021.	The MD received 90.8% of his maximum STI  The average STI outcome for FY22 for Executive KMP was 91.1% of the maximum based on their balanced scorecard.	25% of the STI has been deferred for 12 months.	The Chair of the Board's remuneration fee increased by 8.6%.  NED remuneration board base fees increased by 7.6%.  The fees were last increased in July 2017.

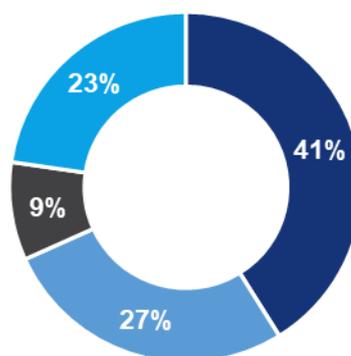
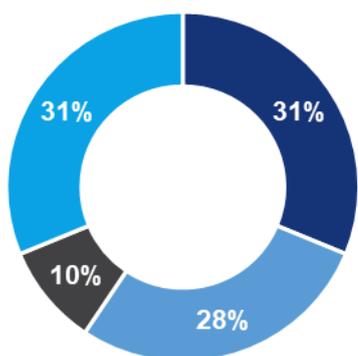
**I. Maximum Remuneration Mix**

Abacus aims to ensure the split of fixed and variable (at risk) remuneration is appropriate for the type of business it operates, namely a cyclical and established business that seeks to provide stable distributions to securityholders. This remuneration strategy aligns with the Board's desired positioning of Abacus within the A-REIT industry.

The graph below sets out the remuneration structure and mix at maximum, for the MD and other Executive KMP at Abacus for FY22.

**Managing Director maximum pay mix**

**Other Executive KMP maximum pay mix (average)**



**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)**

**2. Remuneration snapshot FY22 (continued)**

**ii FY22 Remuneration outcome vs financial performance**

Element	Purpose	Link to Performance	FY22 Changes and Outcomes
<b>Fixed Remuneration</b>			
<b>Fixed Remuneration (FR)</b>	To attract, engage and retain individuals with capability, diversity of thought and experience to continue delivering on our strategy.	Appropriately compensating our employees so that we remain competitive.  Changes to FR are linked to a combination of incumbent skills and experience, and market rates informed by benchmarking.	There was no change to FR for the MD.  There was a 2% FR change to the CFO.
<b>At Risk Remuneration</b>			
<b>Short Term Incentive (STI)</b>	To focus performance on key annual financial and non-financial KPIs, including FFO profit.  STI for Executive KMP is delivered through cash with a potential portion of 25% that can be deferred to be settled in the form of rights. A deferred STI was introduced to aid retention, align with securityholders' interests, and provide for a "consequence management" governance mechanism for misconduct, fraud, malfeasance or financial misstatement.	The following factors are among those considered by the People & Performance Committee (PPC) in making its assessment on the achievement of the STI opportunity:  <ul style="list-style-type: none"> <li>- Unifying Financial performance</li> <li>- Strategic Objectives</li> <li>- Unifying People performance</li> </ul> The STI is measured over a one-year performance period and paid in cash with 25% subject to deferral paid in the form of rights. The rights will have a deferral period of 12 months.  Please refer to section 5. II page 26 for further information on the deferral.	New STI plan with deferral of 25% of the outcome for 1 year in rights for Executive KMP  For FY22 Executive KMP STI outcome was on average 91.1% of maximum of which 22.8% was deferred.  For further details of the plan refer to section 5. II page 25.  For further details of FY22 STI outcomes refer to table 5 page 23.
<b>Long Term Incentive (LTI)</b>	The LTI Plan is aimed at attracting, rewarding and retaining high performing Executives and other nominated participants for delivering sustained long term growth and aligning them with securityholder interests.	LTI granted are in the form of performance rights.  The value of LTI awards offered in FY22 was up to a maximum of 100% of Fixed Remuneration for the MD, 60% for the CFO and 50% for the CIO.	An LTI framework was introduced for FY22 in line with ASX market practice. This replaces the Deferred Variable Incentive Plan (SARs).  For further details of the LTI Plan please refer to section 5.II page 27.  Performance targets will be based on growth in FFO ps (Funds from Operations per Security) over the performance periods, with stretch performance required for full vesting.

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 3. FY22 How did we perform?

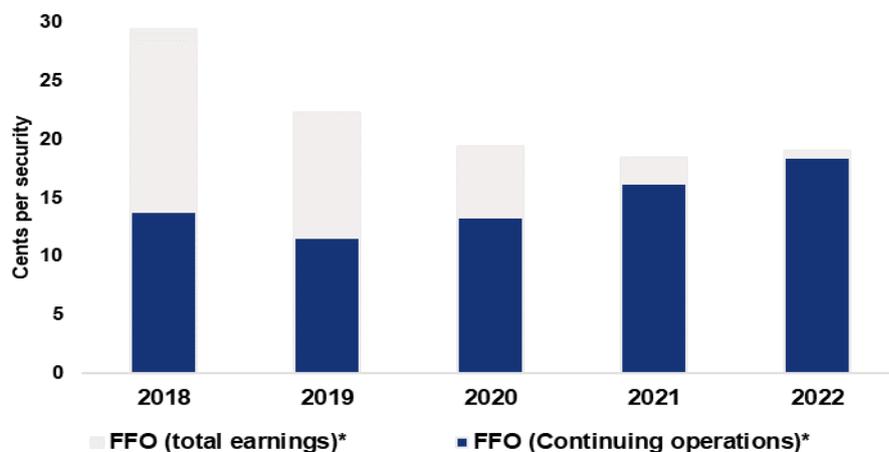
One of the key principles of the Group's remuneration framework is the alignment of interests to securityholders to focus on long term sustainable value creation. This section provides a summary of both FY22 performance and the Company's five year financial performance outcomes.

Abacus' FFO result exceeded target and the team has made significant process during FY22 on delivery of our business priorities. Of note, the Group:

- undertook strategic capital transactions investing over \$1 billion in Commercial and Self Storage assets;
- had strong performance in its established Self Storage portfolio with growth in RevPAM of 16%;
- maintained high levels of commercial occupancy at 95%;
- completed the wind down of its non-core legacy residential mortgage business;
- refinanced over \$2 billion of debt and increased its hedging profile;
- remains well supported by both our equity and debt investors, raising c.\$1 billion in capital throughout the year;
- implemented new information technology and core financial systems; and
- achieved high level of employee engagement.

Per security performance was diluted by the capital raising in March 2022 to take advantage of opportunities in line with our strategy. We expect that this will correct as capital is deployed into new opportunities meeting our portfolio criteria, and an appropriate balance of debt and equity applied to provide a sound yield that equals or exceeds risk adjusted return requirements.

#### Five year FFO Performance



#### Relationship between remuneration and Abacus performance

Abacus' performance over the last 5 years is illustrated below in Table 4.

**Table 3 – Key financial performance indicators**

Key financial performance indicators	2018	2019	2020	2021	2022
FFO (Continuing operations) per security (cents)*	13.79	11.59	13.34	16.21	18.44
FFO (total earnings) per security (cents)*	29.39	22.28	19.38	18.40	19.01
FFO Profit	169.8m	129.2m	125.2m	136.4m	160.9m
Distributions paid and proposed (cents)	18.00	18.50	18.50	17.50	18.00
Closing security price (30 June)	\$3.77	\$4.10	\$2.68	\$3.15	\$2.57
Net tangible assets per security**	\$3.18	\$3.33	\$3.32	\$3.43	\$3.85
Weighted average securities on issue	577.8m	580.0m	643.0m	741.1m	846.3m

\* FFO earnings are unaudited.

\*\* Net tangible assets per security include the impact of the fair value movements

# DIRECTORS' REPORT

30 June 2022

## REMUNERATION REPORT (audited)

### 4. Executive KMP Remuneration

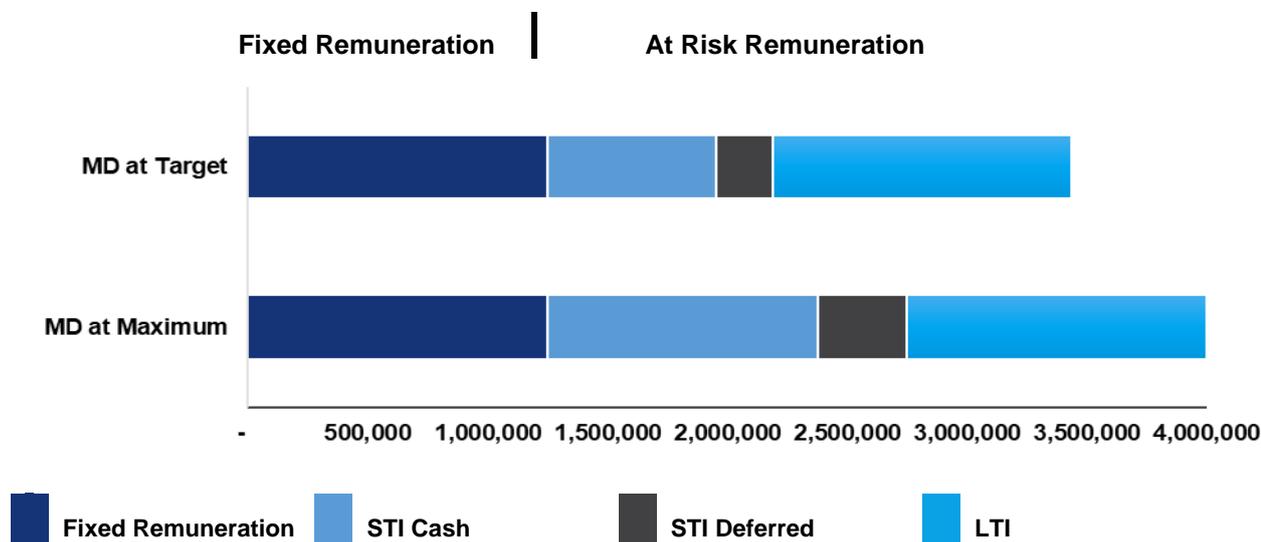
#### I. MD FY22 Remuneration details

##### a) Target, maximum and actual remuneration in FY22

The target remuneration of the MD aims to ensure that the split of fixed and variable remuneration is appropriate for the type of business it operates, namely, a cyclical and established business that seeks to provide stable distributions to securityholders.

This at-risk portion aligns both the Group's performance and the MD's personal influence and contribution to the Group's performance. The total maximum and target for the MD for the full year is summarised in the graph below.

Maximum remuneration represents total potential remuneration of FR, maximum STI and face value of LTI (assuming 100% vesting subject to performance and employment conditions to be met). For STI, the amount is based on 120% achievement of performance targets. Target remuneration represents total potential remuneration of FR, target STI (amount based on 100% achievement of performance targets) and face value of LTI.



The following sets out the awards made to the Managing Director based on his performance during the year ended 30 June 2022.

<b>Fixed Remuneration (FR)</b>	FR of \$1,250,000 per annum
<b>Short Term Incentive (STI)</b>	<p>Maximum STI of \$1,500,000 (120% of FR)</p> <p>The balanced scorecard was based on the following:</p> <ul style="list-style-type: none"> <li>Financials 60%</li> <li>Strategy 30%</li> <li>People 10%</li> </ul> <p>The Managing Director received 90.8% of his maximum STI for FY22.</p> <p>75% or \$1,021,449 of this was received in cash and 25% or \$340,483 has been received in rights and deferred for one year.</p>
<b>Long term Incentive (LTI)</b>	<p>Maximum LTI of \$1,250,000 (100% of FR)</p> <p>100% of the LTI is granted as performance rights.</p> <p>50% of the rights will be tested against performance requirements in FY25.</p> <p>50% of the rights will be tested against performance requirements in FY26.</p>

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 4. Executive KMP Remuneration (continued)

##### b) FY22 Managing Director STI Outcome

The following table sets out the performance of the MD against his KPI's for the year ended 30 June 2022 (scorecard) which were reviewed by the People Performance Committee and the Board. These KPIs are intended to provide a link between remuneration outcomes and the key drivers of long term securityholder value.

**Table 4: Managing Director's performance against KPIs**

Component	FY22 KPI's	Weighting	% of max	Performance Detail
	Funds from Operations (FFO)	40%	100.0%	Exceeded FFO Target, achieving \$160.9m or 19.0 cps which was above FY21. A DPS of 18.0 cps which was in line with the target rate.
	<b>Financial Performance</b>	Capital utilisation, acquisition, and deployment.	20%	100.0%
	Storage King platform integration and enhancement	10%	83.0%	Implemented institutional grade financial systems, and sustainable processes.
	ABP non-core investment and design enhancement.	10%	79.5%	Finalisation of key non-core assets and significant capital acquisitions in Self storage asset class.
	<b>Strategic</b>	ABP Brand	10%	83.0%
	Culture and engagement – measured by engagement pulse survey results	10%	62.5%	Achieved a 99% participation rate and engagement pulse survey score of 80%.
<b>People</b>				

The balanced scorecards for other Executive KMPs during FY22 are similar to that of the MD, in that both the Financial and People components and weightings are the same, but with strategic KPIs applicable to their individual roles.

The People Performance Committee and the Board reviewed these outcomes and the targets set against A-REIT competitor performance and the property market overall. While the targets were set within the continuing uncertainty and changes arising from the pandemic, it was concluded on the basis of this review that they were appropriate, and the performance against these targets a valid reflection of underlying and comparative performance. Hence, no discretion to adjust outcomes was necessary.

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)**

**4. Executive KMP Remuneration (continued)**

**c) Executive KMP FY22 STI Outcomes**

Table 5 below provides details of each Executive KMP's performance targets and the achievements and financial outcomes during the financial year ended 30 June 2022.

**Table 5 – Executive KMP performance targets and achievements**

Executive KMP	Key Performance Indicator	Weighting	Max STI Potential \$	Actual STI awarded as a % of Max STI potential %	Actual Full STI awarded \$	Actual STI deferred \$	STI forfeited as a % of Max STI potential
Steven Sewell	Financial	60%	900,000	100.0%	900,000	225,000	0.0%
	Strategic	30%	450,000	81.8%	368,182	92,046	18.2%
	People	10%	150,000	62.5%	93,750	23,438	37.5%
	<b>Total</b>	<b>100%</b>	<b>1,500,000</b>	<b>90.8%</b>	<b>1,361,932</b>	<b>340,484</b>	<b>9.2%</b>
Rob Baulderstone	Financial	60%	343,333	100.0%	343,333	85,833	0.0%
	Strategic	30%	171,666	81.8%	140,454	35,114	18.2%
	People	10%	57,222	60.0%	34,333	8,583	40.0%
	<b>Total</b>	<b>100%</b>	<b>572,221</b>	<b>90.5%</b>	<b>518,120</b>	<b>129,530</b>	<b>9.5%</b>
Gavin Lechem <sup>1</sup>	Financial	60%	223,810	100.0%	223,811	55,953	0.0%
	Strategic	30%	111,906	84.8%	94,950	23,738	15.2%
	People	10%	37,302	66.7%	24,868	6,217	33.3%
	<b>Total</b>	<b>100%</b>	<b>373,018</b>	<b>92.1%</b>	<b>343,629</b>	<b>85,908</b>	<b>7.9%</b>

<sup>1</sup> Mr Lechem's STI is pro-rated based on his commencement into the role of Chief Investment Officer

**d) Executive KMP remuneration details – statutory table**

**Table 6 – Executive KMP remuneration**

Table 6 below discloses the remuneration for Executive KMP calculated in accordance with statutory requirements and accounting standards.

Name	Year	Base Pay	Short Term Benefits		Total cash payments and short-term benefits	Post-Employment Super	Long Term benefits Long Service Leave	Security based payment		Total \$
			Short Term Incentive (STI)	Non-monetary benefits				Deferred STI Rights <sup>1</sup>	Rights <sup>1</sup>	
Steven Sewell	FY22	1,226,433	1,024,449	5,015	2,252,897	23,567	20,423	170,242	769,688	3,236,817
	FY21	1,228,306	937,500	5,560	2,171,366	21,694	28,491	-	517,093	2,738,644
Rob Baulderstone <sup>2</sup>	FY22	544,721	388,590	5,015	938,326	27,500	11,099	64,765	282,954	1,324,644
	FY21	536,000	333,235	3,430	872,665	25,000	8,851	-	227,927	1,134,443
Gavin Lechem <sup>3</sup>	FY22	377,097	257,722	-	634,819	17,676	9,671	42,954	152,052	857,172
	FY21	-	-	-	-	-	-	-	-	-

<sup>1</sup>Accrued not presently entitled. Includes both LTI and deferred variable incentive plan.

<sup>2</sup>Stepped down as CFO on 30 June 2022.

<sup>3</sup>Appointed 1 October 2021. Remuneration reflects Mr Lechem's period of service as Executive KMP.

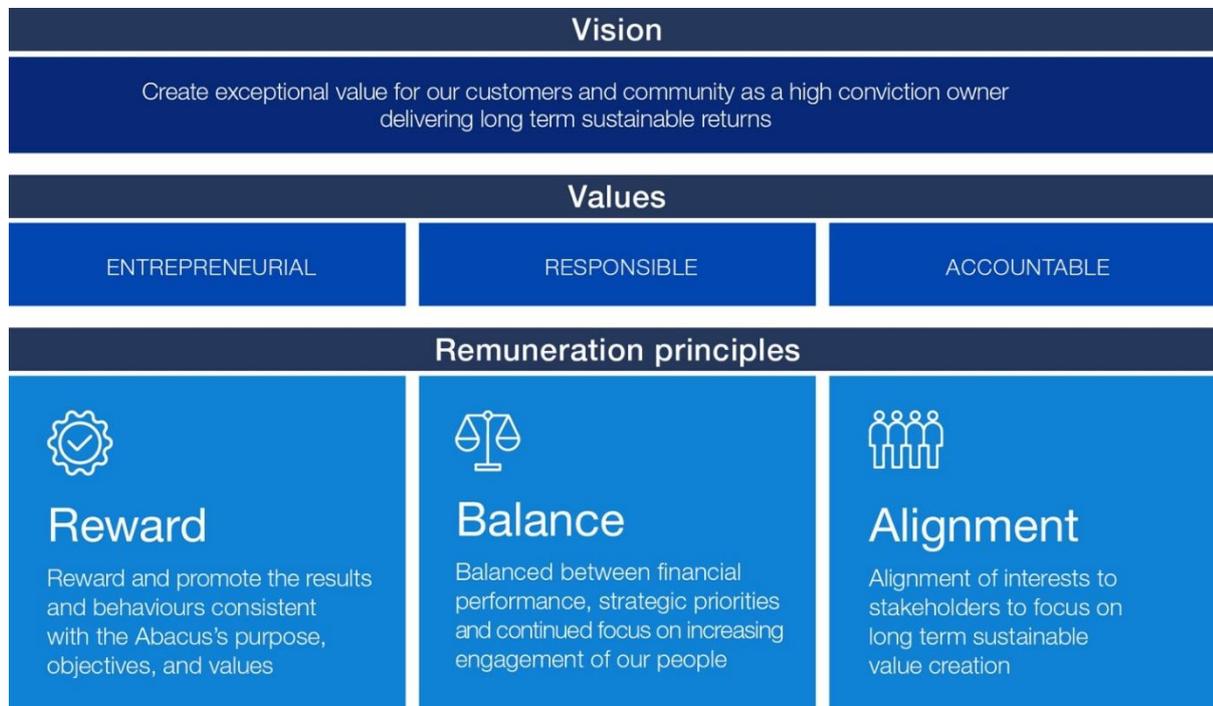
# DIRECTORS' REPORT

30 June 2022

## REMUNERATION REPORT (audited)

### 5. Remuneration Governance and Framework

The Abacus Performance and Reward framework aims to reward, engage, and develop our people focusing on, value creation for our customers and community.



#### I. The Group's remuneration governance framework

The People Performance Committee is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive directors and executives.

BOARD	PEOPLE, PERFORMANCE COMMITTEE (PPC)*	MANAGEMENT
<p>Ensuring that the Abacus Group remuneration framework is aligned with the group's purpose, values, strategic objectives, and risk appetite.</p> <p>Determining Non-Executive Directors and Executive KMP remuneration.</p> <p>Monitoring performance of the Managing Director and executive team in their implementation of the strategy and overseeing succession plans for the key management team.</p>	<p>Review and approve the Group's remuneration policy to ensure remuneration is competitive in the market and effectively designed to attract, motivate, and retain team members.</p> <p>Reviewing and recommending to the Board arrangements for the Executive KMP and the Executive committee in relation to their terms of employment, remuneration and participation in the Group's incentive programs (including performance targets).</p> <p>Review and approve the structure of short-term incentive plans annually to ensure they are effectively designed to reward the achievement of business and individual objectives equitably.</p> <p>Review the design of long-term incentives annually to ensure its design meets the Group's objectives, is aligned with industry standards and is within the Group's cost parameters.</p>	<p>Recommend and implement the Abacus Group's remuneration policies and practices ensuring ease of understanding.</p> <p>Providing information relevant to remuneration decisions and making recommendations.</p> <p>Recommend and implement a remuneration framework that is fit for purpose.</p>

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 5. Remuneration Governance and Framework (continued)

##### II. Remuneration framework

Fixed Remuneration (FR)				
<b>What is fixed remuneration?</b>	Paid mainly as cash salary – comprises base salary, superannuation contributions and other non-monetary benefits.			
<b>How is FR determined?</b>	Base salary is set in reference to each Executive's position, performance, experience, and market rates.			
Short Term incentive (STI)				
<b>What is the purpose of the short-term incentive (STI) plan?</b>	<p>The STI provides an incentive to deliver annual business plans that will lead to sustainable superior returns for securityholders. We strive to set a series of financial and non-financial targets that are appropriately ambitious in the context of our strategy, and which drive the right long term behaviours.</p> <p>This year we have introduced a deferral element for any STI awarded to Executive KMP for retention, increased alignment with securityholders and better governance.</p>			
<b>What is the performance period?</b>	1 July 2021 to 30 June 2022.			
<b>What is the award opportunity?</b>	For FY22 the target and maximum STI opportunity for Executive KMP as a percentage of FR were:			
	<b>% of FR</b>	<b>MD</b>	<b>CFO</b>	<b>CIO</b>
	Target	75%	60%	50%
	Maximum	120%	100%	75%
<b>What key performance indicators are measured for STI to be paid?</b>	<p>The following factors are among those considered by the People &amp; Performance Committee (PPC) in making its assessment on the achievement of the STI opportunity:</p> <ul style="list-style-type: none"> <li>• Unifying Financial performance</li> <li>• Strategic Objectives</li> <li>• Unifying People performance</li> </ul>			
<b>Why were these measures chosen?</b>	<p>An FFO profit target range was chosen by the Board because FFO demonstrates the closest correlation to securityholder value creation (measured by total securityholder return). FFO profit reflects the statutory profit as adjusted by adding back tenant incentive amortisation, depreciation on owner occupied property, plant &amp; equipment (PP&amp;E), change in fair value of investment properties derecognised, capital costs, unrealised fair value gains / losses on investment properties, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), and other non-recurring adjustments deemed significant on account of their nature and non-FFO tax benefit/expense.</p> <p>This measure, although underlying, is consistent with the Property Council of Australia guidelines, is derived from financial disclosures and is hence transparent. It reflects the Directors' assessment of the result for the ongoing business activities of Abacus, in accordance with the Property Council guidelines for reporting FFO profit.</p> <p>The other financial and non-financial KPIs were chosen as they represent the key drivers for the short-term success of the business and provide a framework for long term securityholder value.</p>			

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 5. Remuneration Governance and Framework (continued)

##### II. Remuneration framework (continued)

<b>How is performance assessed?</b>	The People Performance Committee considers the performance of the Executive KMP against their KPIs and other applicable measures and has regard to independent benchmarking information. The Committee then recommends current variable remuneration payments, if any, to the Board for its approval.	
<b>What is the relationship between performance scales and outcomes?</b>	<b>Performance Scales</b>	<b>STI Outcome</b>
	Below threshold	0% paid
	Between threshold and maximum	25% - 100% of maximum incentive paid
	Maximum	100% of maximum incentive paid
<b>Are any STI awards deferred?</b>	25% of STI awarded to Executive KMP is delivered in the form of rights with a one year deferral period.	
<b>How is the number of rights determined?</b>	The number of rights to be granted will be calculated by dividing the deferred STI amount by the 10-day volume-weighted average price of the ABP securities on the ASX for the period commencing on the second trading day after the full year's financial results announcement for the year in which the STI award is made were released to the market, rounded to the nearest whole number.	
<b>Are distributions paid on deferred STI awards?</b>	No distributions are paid to participants during the vesting period. Participants receive an entitlement to rights equal to accrued and reinvested distributions only on performance rights that vest and are exercised.	
<b>Are there any disqualification provisions?</b>	<p>All STI incentive payouts are subject to annual 'good behaviour' and conduct checks, as determined by the Board (or its delegate) in its absolute discretion. Failure to demonstrate good behaviour and conduct may result in a reduction to or forfeiture of the STI payment for the Performance Period. Examples include:</p> <ul style="list-style-type: none"> <li>the participant resigns;</li> <li>the participant has breached the Company Code of Conduct or core company policies; and</li> <li>the participant's action/s led to a material WHS incident, material compliance issue, material Corporate Social Responsibility (CSR) issue and material reputation issue. The Board has discretion to delay the payment dates set out above, for example to allow time for it to determine the appropriate outcome if there is an investigation underway by the Group or an external third party.</li> </ul> <p>The Company reserves the right to suspend or alter STI payments to any participant due to any action which has caused the Group loss or reputational damage. This includes any deferred STI (in the form of rights) in the event of fraud, malfeasance, dismissal for cause, or other misconduct.</p>	
<b>How is STI treated on cessation of employment?</b>	Unless the board determines otherwise, an Executive will forfeit their STI award and unvested deferred awards if they resign or if their employment is terminated with cause.	

# DIRECTORS' REPORT

30 June 2022

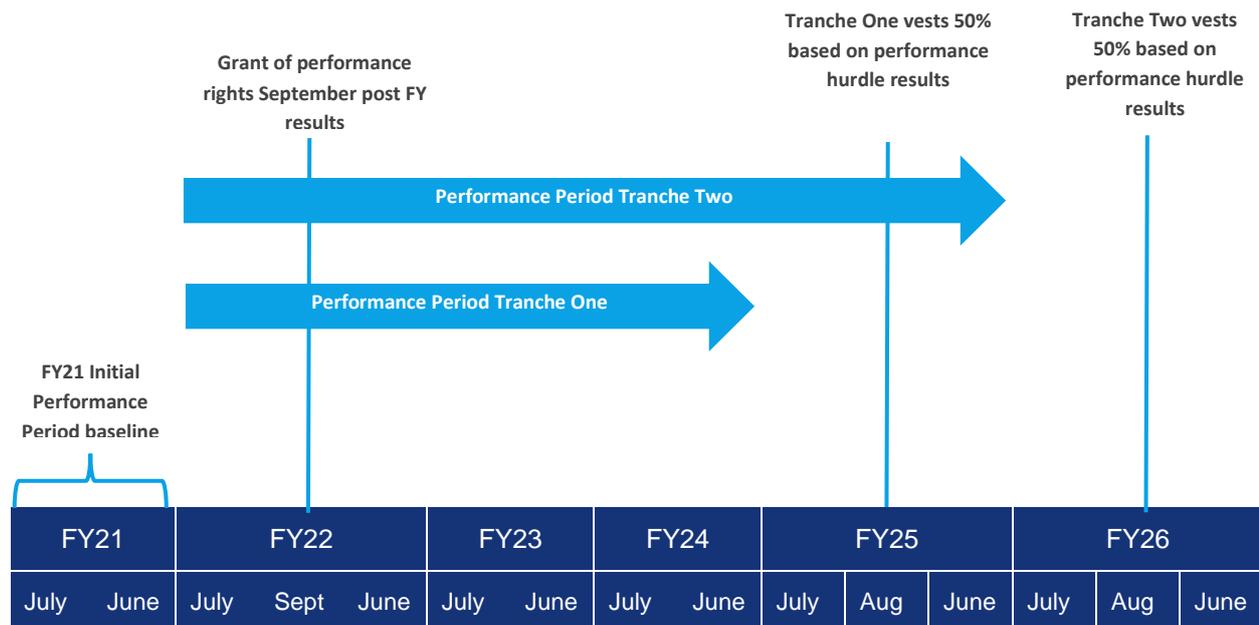
## REMUNERATION REPORT (audited)

### 5. Remuneration Governance and Framework (continued)

#### II. Remuneration framework (continued)

#### Long Term Incentive (LTI)

The LTI Plan is aimed at attracting, rewarding, and retaining high performing Executives and other nominated participants for delivering sustained long term growth and aligning them with securityholder interests. The below diagram reflects the KMP Executive performance conditions.



<b>Who participates in the LTI plan</b>	Participation is limited to Executive KMP and selected senior management positions by invitation and as approved by the Board.
<b>What size of award is granted</b>	The maximum opportunity for the MD is 100% of FR and for other Executive KMP it ranges from 50% - 60% of FR.
<b>How are the grants calculated?</b>	The number of performance rights is calculated at the date of issue by dividing the value of LTI to be awarded in the form of performance rights by the face value of an Abacus security. The face value is based on the ten-day VWAP for Abacus securities starting from the second trading day after the full year results announcement for the year ended 30 June 2021 were released to the market.
<b>Plan Features</b>	The LTI awards are in the form of performance rights subject to vesting conditions.
<b>What are the performance and vesting periods?</b>	<p>The Rights will be tested against the relevant Performance Conditions following release of audited financial results for the final year of the relevant Performance Period.</p> <p>For the Executive KMP, half of the performance rights are tested on the third and half on the fourth anniversary of their grant.</p> <p>Performance is measured per the following:</p> <ul style="list-style-type: none"> <li>- Tranche One – 50% vest in year three</li> <li>- Tranche Two – 50% vest in year four</li> </ul>
<b>Do we allow for re-testing?</b>	No.

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)**

**5. Remuneration Governance and Framework (continued)**

**II. Remuneration framework (continued)**

	<p>The Performance Conditions require the average annual growth rate (AAGR) in the Group's FFO ps over the relevant Performance Period to exceed a certain level.</p> <p>100% on FFO per security (FFO ps) average annual growth rate</p> <p>2 – 5% results in LTI of 50% to 100% vesting on a sliding scale.</p>										
<b>What are the performance conditions?</b>	<table border="1"> <thead> <tr> <th>FFOPs AAGR</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 2%</td> <td>0%</td> </tr> <tr> <td>At 2%</td> <td>50%</td> </tr> <tr> <td>Between 2% and 5%</td> <td>Pro rata vesting from 50% to 100%</td> </tr> <tr> <td>At or above 5%</td> <td>100%</td> </tr> </tbody> </table>	FFOPs AAGR	% of Rights that vest	Less than 2%	0%	At 2%	50%	Between 2% and 5%	Pro rata vesting from 50% to 100%	At or above 5%	100%
FFOPs AAGR	% of Rights that vest										
Less than 2%	0%										
At 2%	50%										
Between 2% and 5%	Pro rata vesting from 50% to 100%										
At or above 5%	100%										
<b>Are there distributions or voting rights?</b>	<p>Rights do not carry any voting rights. No distributions are paid to Participants during the vesting period. Participants receive an entitlement to securities equal to accrued and reinvested distributions only on performance rights that vest and are exercised.</p>										
<b>Why was this measure chosen?</b>	<p>FFO growth per security was chosen by the Board because this closely correlates to securityholder value creation and assists investors and analysts to compare Australian real estate organisations. AAGR will reward stable annual growth and can provide better alignment with Abacus' annuity style strategy and business model.</p>										
<b>What happens on cessation of employment?</b>	<p>Unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>- if the participant's employment is terminated for cause or they resign (or give notice of their resignation) prior to their Rights vesting, all of their unvested Rights will lapse; or</li> <li>- if the participant ceases employment for any other reason prior to their Rights vesting, all of their unvested Rights will remain on foot and be tested in the ordinary course.</li> </ul>										
<b>What happens if a change in control occurs?</b>	<p>The Board may in its absolute discretion, accelerate vesting on some or all of any unvested securities taking into consideration service and performance prior to a change in control.</p>										
<b>Forfeiture for Fraud, Dishonesty or Misstatement</b>	<p>The Board has discretion to determine that a participants Rights lapse in certain circumstances, including where they act fraudulently or dishonestly, or they are in breach of their obligations of the Group.</p>										
<b>When is Board discretion used?</b>	<p>Discretion can be applied to the proportion that may vest, taking into account behaviour inconsistent with our Code of Conduct, reputational damage, and having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate). The extent and reasons for any discretion will be disclosed.</p>										
<b>Abacus Security Trading Policy</b>	<p>In accordance with Abacus' Trading Policy, no director, employee, or associate may trade in APG securities at any time if they are in possession of unpublished information which, if generally available, might materially affect the price or value of APG securities. They may only trade within specified trading windows.</p>										

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)**

**5. Remuneration Governance and Framework (continued)**

**III. Security based payments**

In FY22 Abacus introduced a new Long Term Incentive Plan. The below outlines the FY22 LTI grant and then moves on to the Deferred Variable Incentive Plan (Legacy Plan) as shown from table 10.

**Performance Long term Incentive Plan Grants**

Grant	Tranche	Performance Hurdle	Vesting date
FY22 Grant	Tranche One – 50% of Grant	50% vesting at 2% FFO ps AAGR <sup>1</sup> 100% vesting at 5% FFO ps AAGR	September 2024
	Tranche Two – 50% of Grant	Pro rata vesting between 2% and 5% 0% if less than 2% FFO ps AAGR	September 2025

<sup>1</sup>FFO ps AAGR is Funds from Operations Per Security Annual Average Growth Rate

The table below provides the grant date fair value and the maximum potential value of all outstanding LTI grants at grant date for the Executive KMP.

If the performance conditions are not met, the minimum value of the LTI will be nil.

**Table 7 – Grant date fair value and maximum value for LTI grants**

Executive KMP	Year	Grant Date	Grant Date Fair Value \$	Number of LTI granted	Performance Period	Maximum grant date face value \$
Steven Sewell	2021	22/11/2021	3.40	183,824	1 July 2021 to 30 June 2024	1,250,000
				183,824	1 July 2021 to 30 June 2025	
Rob Baulderstone	2021	22/11/2021	3.40	50,490	1 July 2021 to 30 June 2024	343,333
				50,490	1 July 2021 to 30 June 2025	
Gavin Lechem <sup>1</sup>	2021	22/11/2021	3.40	25,995	1 July 2021 to 30 June 2023	265,148
				25,995	1 July 2021 to 30 June 2024	
				25,995	1 July 2021 to 30 June 2024	

<sup>1</sup>Mr Lechem was granted LTI as an Executive with three tranches for 2021.

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)****5. Remuneration Governance and Framework (continued)****III. Security based payments (continued)****Table 8 – Movements in LTI holdings of key management personnel during the year**

The table below provides the movement of all security-based payments granted to the Executive KMP.

KMP	Balance 1 July 2021	Granted as remuneration	LTIs exercised	Balance 30 June 2022
Steven Sewell (Managing Director)	-	367,648	-	367,648
Rob Baulderstone	-	100,980	-	100,980
Gavin Lechem	-	77,985	-	77,985
<b>Total</b>	<b>-</b>	<b>546,613</b>	<b>-</b>	<b>546,613</b>

**IV. Minimum securityholding requirement for Executive KMP FY23**

To align the interests of the Board with securityholders, the Board has introduced a minimum securityholding requirement for Executive KMP.

- The MD is required to maintain a minimum holding of securities equivalent to 100% of his fixed remuneration. Executive KMP are required to maintain a minimum holding of securities that is equivalent to 50% of their fixed remuneration.
- Executive KMP have until the fourth anniversary of the later of 27 June 2022 or the date they become an Executive KMP, to meet the minimum holding requirement.

**V. Executive KMP securityholdings details**

Executive KMP are required to maintain a minimum holding of securities.

**Table 9 – Securityholdings of Executive KMP**

KMP	Balance 1 July 2021	Vesting of Rights	Purchases	Balance 30 June 2022
Steven Sewell (Managing Director)	233,756	114,729	54,087	402,572
Rob Baulderstone	473,573	62,129	-	535,702
Gavin Lechem	177,148	49,111	10,500	236,759
<b>Total</b>	<b>884,477</b>	<b>225,969</b>	<b>64,587</b>	<b>1,175,033</b>

Unvested rights are not included in the calculation of the minimum holding of securities.

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 5. Remuneration Governance and Framework (continued)

##### Deferred Variable Incentive Plan (Legacy Plan)

The deferred variable incentive plan ceased in the year ending 30 June 2021 and has been replaced by a more contemporary and market aligned **Long Term Incentive Plan**. The deferred variable incentive plan was delivered in the form of an annual grant of security acquisition rights (SARs) under the deferred security acquisition rights plan (SARs Plan). The SARs will continue to vest under this plan until September 2024.

SARs allocated to an Executive as their deferred variable remuneration for a financial year will vest in three equal annual tranches on the second, third and fourth anniversaries of the allocation date.

Executives were entitled before any tranche of SARs vests, to extend the vesting date for that tranche by 12 months.

The table below discloses the number of SARs that vested or lapsed during the year. No further grants have been made under this Plan for FY22.

**Table 10 – Grants under the Deferred Security Acquisition Rights Plan (SARs)**

Executive KMP	Year	Grant Date	Vesting date	No. vested during the year	No. lapsed during the year
Steven Sewell	2020	15/11/2019	09 / 2021	59,222	-
	2019	15/11/2018	09 / 2021	41,499	-
Rob Baulderstone	2020	15/11/2019	09 / 2021	23,266	-
	2019	15/11/2018	09 / 2021	17,888	-
	2018	14/11/2017	09 / 2021	12,217	-
Gavin Lechem	2020	15/11/2019	09 / 2021	16,920	-
	2019	15/11/2018	09 / 2021	14,310	-
	2018	14/11/2017	09 / 2021	10,821	-

**Table 11 – The value of SARs granted, exercised, and lapsed during the year**

Executive KMP	Value of SARs granted during the year \$	Value of SARs exercised during the year \$	Value of SARs lapsed during the year \$
Steven Sewell	-	408,736	-
Rob Baulderstone	-	221,345	-
Gavin Lechem	-	174,966	-

There were no alterations to the terms and conditions of the SARs since their grant date.

Refer to Note 20 for details on the valuation of the Long Term and Deferred Variable Incentive Plan, including models and assumptions used.

**DIRECTORS' REPORT**

30 June 2022

**REMUNERATION REPORT (audited)**

**5. Remuneration Governance and Framework (continued)**

**Table 12 – Securities acquired on exercise of SARs**

Executive KMP	Securities acquired (number)	Paid per security \$
Steven Sewell (Managing Director)	114,729	\$3.55
Rob Baulderstone	62,129	\$3.55
Gavin Lechem	49,111	\$3.55

The number of securities acquired is based on the SARs that vested in the year and the distributions that would have been paid on that number of securities from the grant date to the allocation date. No amount was paid by participants for securities acquired above.

**Table 13 – Movements in SARs holdings of key management personnel during the year**

The table below provides the movement of all security-based payments granted to the Executive KMP.

Executive KMP	Balance 1 July 2021	Granted as remuneration	SARs exercised	Balance 30 June 2022
Steven Sewell (Managing Director)	551,139	-	(100,721)	450,418
Rob Baulderstone	239,516	-	(53,371)	186,145
Gavin Lechem	171,384	-	(42,051)	129,333
<b>Total</b>	<b>962,039</b>	<b>-</b>	<b>(196,143)</b>	<b>765,896</b>

All equity transactions with Executive KMP other than those arising from the vesting of the security acquisition rights have been entered into under terms and conditions no more favourable than those that Abacus would have adopted if dealing at arm's length. There have been no movements in holdings since 30 June 2022.

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 6. Non-executive Director remuneration

##### Objective

The Committee assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors (NEDs) on a periodic basis by reference to market rates with the overall objective of attracting and retaining Board members with an appropriate combination of industry and specialist functional knowledge and experience.

##### I. Fee Structure and Policy

The following table outlines the Non-Executive Directors (NEDs) fee policy and any changes introduced for FY22.

<b>Maximum aggregate fees approved by securityholders</b>	Abacus' constituent documents and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-Executive directors must be approved by securityholders. The last determination was at the annual general meeting held on 14 November 2017 when securityholders approved an aggregate remuneration limit of \$1,000,000 per year.
<b>Contracts</b>	Upon appointment to the Board, all NEDs receive a letter of appointment which summarises the Board policies and terms, including compensation, relevant to the office of Director.
<b>Non-Executive Director fees reviews</b>	<p>The Board reviews NED fees on an annual basis in line with general industry practice. This ensures fees are appropriately positioned in the market to attract and retain high calibre individuals. The fees were last increased in July 2017.</p> <p>NEDs are entitled to be reimbursed for all reasonable costs and expenses incurred by them in performing their duties.</p> <p><b>NED fee changes FY22</b></p> <p>To maintain market equity, the Board determined an increase of 8.6% to the base fee from 1 July 2021 to the Chairman and 7.6% for the other NEDs.</p> <p>In recognition of the additional workloads for Chairs of committees and to reflect of market practice, the People, Performance Committee and the Compliance and Sustainability committee Chair fees were increased to \$23,000 (FY21: \$15,750) and \$21,000 (FY21: \$14,700) respectively.</p> <p>The Committee fees for the Audit and Risk, and People Performance were increased to \$12,285 (FY21: \$10,500) and \$11,250 (FY21: \$10,500) respectively. Further detail of the increases can be found in table 14.</p> <p><b>NED fee changes FY23</b></p> <p>There are no changes to the Board base fees and committee in FY23. Refer to Table 14 for details of FY23 fees.</p> <p>The aggregation of all Board and committee fees for FY22 and FY23, respectively, remains below the current pool limit.</p>
<b>Superannuation</b>	The fees set out above include superannuation contributions in accordance with relevant statutory requirements.
<b>Post-employment benefits</b>	The Non-Executive directors do not receive retirement benefits. Nor do they participate in any incentive programs.

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 6. Non-executive Director remuneration (continued)

#### II. Minimum securityholding requirement for Non-Executive Directors FY23

The Board of Abacus Property Group (Abacus) recognises the importance of aligning the interests of its senior executives and directors with the long term interests of Abacus' securityholders. To further align this interest, the Board has introduced a minimum securityholding requirement for NEDs. Each Non-Executive Director must accumulate and retain a minimum securityholding in Abacus securities equivalent to their annual director's fee inclusive of base fee, superannuation contributions and before any tax deductions. The minimum securityholding is to be achieved progressively by the 4th anniversary of the later of 27 June 2022 or the date of their appointment, to meet the minimum holding requirement

Non-Executive Directors are bound by Abacus's Securities Trading Policy. No additional remuneration is provided to Non-Executive Directors to purchase these stapled securities.

**Table 14: Non-Executive Director fee levels (inclusive of superannuation)**

Board/Committee	Role	FY21		Effective 1 July 2021 for FY22 <sup>1</sup>	
		Per role \$	Total \$	Per role \$	Total
Board	Chair	\$232,050	\$232,050	\$252,000	\$252,000
	Non-Executive Director	\$105,000	\$420,000	\$113,000	\$565,000
Audit and Risk Committee	Chair	\$27,300	\$27,300	\$27,300	\$27,300
	Non-Executive Director	\$10,500	\$21,000	\$12,285	\$36,855
Work, Health Safety and Sustainability Committee	Chair	\$14,700	\$14,700	\$21,000	\$21,000
	Non-Executive Director	\$10,500	\$10,500	\$10,500	\$10,500
People Performance Committee	Chair	\$15,750	\$15,750	\$23,000	\$23,000
	Non-Executive Director	\$10,500	\$21,000	\$11,250	\$33,750
<b>Total</b>			<b>\$762,300</b>		<b>\$969,405</b>

<sup>1</sup>FY21 numbers reflect the addition of Mark Bloom.

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 6. Non-executive Director remuneration (continued)

#### III. Non-Executive Director's remuneration details

Non-Executive Director	Year	Short Term Benefits			Post-Employment	Total
		Base Fees	Non-monetary benefits	Total cash payments and short-term benefits	Superannuation	\$
Myra Salkinder (Chair)	FY22	238,636	-	238,636	13,364	252,000
	FY21	211,048	-	211,048	21,002	232,050
Trent Alston	FY22	134,804	-	134,804	13,481	148,285
	FY21	119,863	-	119,863	11,387	131,250
Mark Bloom <sup>1</sup>	FY22	124,123	-	124,123	12,412	136,535
	FY21	-	-	-	-	-
Mark Haberlin	FY22	137,773	-	137,773	13,777	151,550
	FY21	130,411	-	130,411	12,389	142,800
Holly Kramer	FY22	131,688	-	131,688	3,062	134,750
	FY21	123,267	-	123,267	2,733	126,000
Jingmin Qian	FY22	132,986	-	132,986	13,299	146,285
	FY21	118,904	-	118,904	11,296	130,200

<sup>1</sup>Appointed 1 July 2021.

#### IV. Non-Executive Director's security holdings details

Non-Executive Director	Balance 1 July 2021	Purchases	Balance 30 June 2022
Myra Salkinder (Chair)	197,925	-	197,925
Trent Alston	36,250	-	36,250
Mark Bloom	-	37,000	37,000
Mark Haberlin	42,292	-	42,292
Holly Kramer	25,089	2,137	27,226
Jingmin Qian	24,167	9,000	33,167

All equity transactions with Non-Executive Directors have been entered into under terms and conditions no more favourable than those that Abacus would have adopted if dealing at arm's length. There have been no movements in holdings since 30 June 2022.

## DIRECTORS' REPORT

30 June 2022

### REMUNERATION REPORT (audited)

#### 7. Additional required disclosures

##### Executive KMP employment terms

The total remuneration package is reviewed annually, and the key terms are summarised below:

Role	Term of agreement	Notice Period (by company or by employee)	Post-employment restraints	Termination benefits
Steven Sewell	No expiry date	9 months	12 months	No redundancy payment entitlements. If there are any termination entitlements to be paid, they will be limited by the current Corporations Act 2001 (Cth) or the ASX Listing Rules or both.

The other Executives are employed on an ongoing basis under letter agreements until one month's notice is given by either party. Abacus may terminate an Executive KMP's service at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is only entitled to remuneration up to the date of termination.

##### Use of Remuneration advisors

The People and Performance Committee engages external remuneration consultants from time to time to provide independent benchmarking data and information on best practice. This ensures the Company continually reviews assesses and adapts the remuneration governance functions to assist the Board and Committee in making informed remuneration decisions. No remuneration recommendations as defined under the *Corporations Act 2001 (Cth)* were provided to the Committee by remuneration consultants in FY22.

##### Loans to Key Management Personnel

There were no loans to key management personnel and their related parties at any time in 2022 or in the prior year.

##### Other transactions with Key Management Personnel

During the year, transactions occurred between Abacus and key management personnel which were within normal employee and investor relationships.

## DIRECTORS' REPORT

30 June 2022

### EVENTS AFTER BALANCE SHEET DATE

Subsequent to the financial year end:

- In August 2022, the Group acquired the remaining 50% interest in 324 Queen Street, Brisbane QLD for \$93.75m, reflecting an initial yield of 6.4%.

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

### ENVIRONMENTAL REGULATION AND PERFORMANCE

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

### AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 38.

### ROUNDING

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

Signed in accordance with a resolution of the directors.  
Abacus Group Holdings Limited (ABN 31 080 604 619)



Myra Salkinder  
Chair  
Sydney, 16 August 2022



Steven Sewell  
Managing Director



**Building a better  
working world**

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Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

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## **Auditor's independence declaration to the directors of Abacus Group Holdings Limited**

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

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit,
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Anthony Ewan  
Partner  
Sydney  
16 August 2022

**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000
<b>REVENUE</b>			
Rental income		291,077	226,344
Finance income	1(a)	11,234	15,145
Management and other fee income		17,311	13,155
Sale of inventory		-	2,944
<b>Total Revenue</b>		<b>319,622</b>	<b>257,588</b>
<b>OTHER INCOME</b>			
Net change in fair value of investments and financial instruments derecognised		4,919	3,477
Net change in fair value of investment properties held at balance date		345,550	237,433
Net change in fair value of investments held at balance date	1(b)	17,907	2,749
Share of profit from equity accounted investments	8(a)	13,429	16,861
Net change in fair value of derivatives		28,101	(4,571)
Other income		11,285	8,243
<b>Total Revenue and Other Income</b>		<b>740,813</b>	<b>521,780</b>
Net change in fair value of investment properties and property, plant and equipment derecognised		(1,027)	2,562
Property expenses and outgoings		(69,647)	(61,702)
Depreciation and amortisation expenses	3(a)	(9,002)	(7,906)
Cost of inventory sales		-	(2,709)
Impairment (charges) / reversal		(4,903)	3,636
Finance costs	3(b)	(38,560)	(23,279)
Administrative and other expenses	3(c)	(70,042)	(47,150)
<b>PROFIT BEFORE TAX</b>		<b>547,632</b>	<b>385,232</b>
Income tax expense	4(a)	(30,467)	(15,611)
<b>NET PROFIT AFTER TAX</b>		<b>517,165</b>	<b>369,621</b>
<b>PROFIT / (LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of the parent entity (AGHL)		(25,486)	(22,311)
<i>Equity holders of other stapled entities</i>			
AT members		148,031	71,082
AGPL members		19,882	22,952
AIT members		(4,084)	10,814
ASPT members		264,008	205,705
ASOL members		114,814	81,167
<b>Stapled security holders</b>		<b>517,165</b>	<b>369,409</b>
Net profit attributable to external non-controlling interests		-	212
<b>NET PROFIT</b>		<b>517,165</b>	<b>369,621</b>
<b>Basic and diluted earnings per stapled security (cents)</b>	2	61.11	49.84

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 30 JUNE 2022**

	2022	2021
	\$'000	\$'000
<b>NET PROFIT AFTER TAX</b>	517,165	369,621
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	(1,623)	(1,008)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>515,542</b>	<b>368,613</b>
<b>Total comprehensive income attributable to:</b>		
Members of the APG Group	515,542	368,401
External non-controlling interests	-	212
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>515,542</b>	<b>368,613</b>
<b>Total comprehensive income attributable to members of the Group analysed by amounts attributable to:</b>		
AGHL members	(25,486)	(22,311)
AT members	148,031	71,082
AGPL members	19,882	22,952
AIT members	(4,084)	10,814
ASPT members	262,683	204,808
ASOL members	114,516	81,056
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP</b>	<b>515,542</b>	<b>368,401</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
<b>CURRENT ASSETS</b>			
Investment properties held for sale	5	-	161,571
Property loans	7(a)	-	20,716
Cash and cash equivalents	9	176,505	57,992
Trade and other receivables		43,472	33,653
Derivatives at fair value		20,869	-
Other		7,281	4,685
<b>TOTAL CURRENT ASSETS</b>		<b>248,127</b>	<b>278,617</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	5	4,500,582	3,188,371
Inventory	6	-	48,064
Property loans	7(b)	53,144	47,230
Equity accounted investments	8	172,961	110,414
Deferred tax assets	4(c)	15,998	22,434
Property, plant and equipment	16	21,668	21,664
Other financial assets	7(c)	244,334	234,485
Intangible assets and goodwill	21	105,626	106,312
Derivatives at fair value		38,072	673
Other		6,547	793
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,158,932</b>	<b>3,780,440</b>
<b>TOTAL ASSETS</b>		<b>5,407,059</b>	<b>4,059,057</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		127,030	112,135
Derivatives at fair value		-	678
Income tax payable		1,732	4,788
Other		9,188	6,581
<b>TOTAL CURRENT LIABILITIES</b>		<b>137,950</b>	<b>124,182</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	11	1,709,241	988,525
Derivatives at fair value		-	280
Deferred tax liabilities	4(c)	52,906	37,727
Other		5,853	6,464
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,768,000</b>	<b>1,032,996</b>
<b>TOTAL LIABILITIES</b>		<b>1,905,950</b>	<b>1,157,178</b>
<b>NET ASSETS</b>		<b>3,501,109</b>	<b>2,901,879</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

AS AT 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
<b>Equity attributable to members of AGHL:</b>			
Contributed equity		568,221	519,663
Reserves		2,941	2,705
Retained earnings		128,200	153,686
<b>Total equity attributable to members of AGHL:</b>		<b>699,362</b>	<b>676,054</b>
<b>Equity attributable to unitholders of AT:</b>			
Contributed equity		1,372,070	1,285,378
Accumulated losses		(107,236)	(186,555)
<b>Total equity attributable to unitholders of AT:</b>		<b>1,264,834</b>	<b>1,098,823</b>
<b>Equity attributable to members of AGPL:</b>			
Contributed equity		46,983	41,425
Retained earnings		64,630	44,748
<b>Total equity attributable to members of AGPL:</b>		<b>111,613</b>	<b>86,173</b>
<b>Equity attributable to unitholders of AIT:</b>			
Contributed equity		188,330	175,994
Accumulated losses		(113,047)	(101,726)
<b>Total equity attributable to unitholders of AIT:</b>		<b>75,283</b>	<b>74,268</b>
<b>Equity attributable to members of ASPT:</b>			
Contributed equity		333,683	266,230
Reserves		(1,346)	(21)
Retained earnings		412,174	232,320
<b>Total equity attributable to members of ASPT:</b>		<b>744,511</b>	<b>498,529</b>
<b>Equity attributable to members of ASOL:</b>			
Contributed equity		84,059	61,101
Reserves		(351)	(53)
Retained earnings		521,798	406,984
<b>Total equity attributable to members of ASOL:</b>		<b>605,506</b>	<b>468,032</b>
<b>TOTAL EQUITY</b>		<b>3,501,109</b>	<b>2,901,879</b>
Contributed equity	13	2,593,346	2,349,791
Reserves		1,244	2,631
Retained earnings		906,519	549,457
Total stapled security holders' interest in equity		3,501,109	2,901,879
<b>TOTAL EQUITY</b>		<b>3,501,109</b>	<b>2,901,879</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**  
**YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income receipts		326,560	276,139
Interest received		111	81
Distributions received		10,136	5,916
Income tax paid		(11,503)	(18,628)
Finance costs paid		(31,626)	(24,221)
Operating payments		(134,477)	(105,213)
Payments for inventory costs		(938)	(2,473)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>9</b>	<b>158,263</b>	<b>131,601</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investments and funds advanced		(326,823)	(256,864)
Proceeds from sale and settlement of investments and funds repaid		142,502	71,518
Purchase of property, plant and equipment		(3,745)	(6,823)
Disposal of property, plant and equipment		8	5
Purchase of investment properties		(805,497)	(291,983)
Disposal of investment properties		170,054	18,879
Acquisition of subsidiary, net of cash acquired		-	(46,395)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(823,501)</b>	<b>(511,663)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of stapled securities		203,290	402,208
Payment of issue costs		(4,485)	(4,322)
Payment of finance costs		(3,962)	(3,229)
Payment of principal portion of lease liabilities		(1,371)	(1,316)
Repayment of borrowings and financial instruments		(65,665)	(219,600)
Proceeds from borrowings		758,934	198,438
Distributions paid		(102,818)	(61,420)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>783,923</b>	<b>310,759</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>118,685</b>	<b>(69,303)</b>
Net foreign exchange differences		(172)	(18)
Cash and cash equivalents at beginning of year		57,992	127,313
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>9</b>	<b>176,505</b>	<b>57,992</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2022**

	Attributable to the stapled security holder				External	Total Equity \$'000
	Issued capital \$'000	Foreign currency translation \$'000	Employee equity benefits \$'000	Retained earnings \$'000	Non- controlling interest \$'000	
<b>CONSOLIDATED</b>						
<b>At 1 July 2021</b>	2,349,791	(74)	2,705	549,457	-	2,901,879
Other comprehensive income	-	(1,623)	-	-	-	(1,623)
Net income for the year	-	-	-	517,165	-	517,165
<b>Total comprehensive income for the year</b>	-	(1,623)	-	517,165	-	515,542
Equity raisings	203,290	-	-	-	-	203,290
Issue costs	(4,051)	-	-	-	-	(4,051)
Distribution reinvestment plan	44,316	-	-	-	-	44,316
Performance rights	-	-	236	-	-	236
Distribution to security holders	-	-	-	(160,103)	-	(160,103)
<b>At 30 June 2022</b>	<b>2,593,346</b>	<b>(1,697)</b>	<b>2,941</b>	<b>906,519</b>	<b>-</b>	<b>3,501,109</b>

	Attributable to the stapled security holder				External	Total Equity \$'000
	Issued capital \$'000	Foreign currency translation \$'000	Employee equity benefits \$'000	Retained earnings \$'000	Non- controlling interest \$'000	
<b>CONSOLIDATED</b>						
<b>At 1 July 2020</b>	1,879,765	934	2,336	318,709	4,970	2,206,714
Other comprehensive income	-	(1,008)	-	-	-	(1,008)
Net income for the year	-	-	-	369,409	212	369,621
<b>Total comprehensive income for the year</b>	-	(1,008)	-	369,409	212	368,613
Equity raisings	402,208	-	-	-	-	402,208
Return of capital	-	-	-	-	(5,182)	(5,182)
Issue costs	(3,458)	-	-	-	-	(3,458)
Distribution reinvestment plan	71,276	-	-	-	-	71,276
Performance rights	-	-	369	-	-	369
Distribution to security holders	-	-	-	(138,661)	-	(138,661)
<b>At 30 June 2021</b>	<b>2,349,791</b>	<b>(74)</b>	<b>2,705</b>	<b>549,457</b>	<b>-</b>	<b>2,901,879</b>

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30 JUNE 2022

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**NOTES TO THE FINANCIAL STATEMENTS – About this Report**

30 JUNE 2022

Abacus Property Group (“APG” or the “Group”) is comprised of Abacus Group Holdings Limited (“AGHL”) (the nominated parent entity), 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 Securities Exchange (the “ASX”) under the code ABP.

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

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In applying the Group’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 Group. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from these judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

**(a) Significant accounting judgements***Control and significant influence*

In determining whether the Group has control over an entity, the Group 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 Group 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 and property, plant and equipment held at fair value*

The Group makes judgements in respect of the fair value of investment properties (Note 22(n)) and property, plant and equipment (Note 22(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. These judgements, assumptions and estimates have also been applied to investment properties held through investments accounted for using the equity method.

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

30 JUNE 2022

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)***Expected credit loss (ECL) provision and impairment of property loans and trade receivables*

The Group has applied the simplified approach and recorded lifetime expected losses on trade receivables with the exception of property loans. In estimating the ECL provision, historical recoverability and underlying risks within the financial asset are considered.

In considering the ECL provision for property loan financial assets at amortised cost, the Group has established a provision matrix which includes assessing the credit rating of each borrower to determine the probability of default, loss given default and exposure at default, taking into account sensitivity factors to work out the ECL provision for each property loan. This incorporates any COVID-19 impacts on outstanding balances.

In considering the impairment of property loans and financial assets, the Group undertakes a market analysis of the secured property development and other securities being utilised to support the underlying loan and financial assets and identifies if a deficiency of security exists and the extent of that deficiency, if any. If there is an indicator of impairment, fair value calculations of expected future cashflows are determined and if there are any differences to the carrying value of the loan, an impairment is recognised.

*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 adjusted for counterparty creditworthiness.

*Fair value of financial assets*

The Group holds investments in listed and unlisted securities which are held at fair value based on quoted securities and valuation of underlying asset values.

*Impairment of goodwill, intangible assets and other non-financial assets*

The Group determines whether goodwill, intangible assets and other non-financial 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 21.

*Taxes*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. This requires management judgement to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in Note 4.

## NOTES TO THE FINANCIAL STATEMENTS – Segment Information

30 JUNE 2022

The Group predominately operates in Australia. Following are the Group's operating segments, which are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources allocation and to assess performance:

- (a) Self Storage Investments: the segment is responsible for the investment in and operation of self storage properties;
- (b) Commercial Investments: the segment is responsible for the investment in and ownership of commercial (office and retail) properties. This segment also includes the equity accounting of co-investments in property entities not engaged in development projects; and
- (c) Property Development: the Group has historically provided secured lending and is also responsible for the Group's investment in joint venture developments projects, which includes revenue from debt and equity investments in joint ventures.

The FY21 segment balance sheet has been restated to split the Self Storage and Commercial Investments into separate segments.

The segment result includes transactions between operating segments which are then eliminated.

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

30 JUNE 2022

	Property Investments		Property	Other	Consolidated
	Commercial	Storage	Developments		
Year ended 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
Rental income	130,539	160,538	-	-	291,077
Finance income	2,924	-	8,199	111	11,234
Management and other fee income	2,075	15,228	8	-	17,311
Sale of inventory	-	-	-	-	-
Net change in fair value of investments and financial instruments derecognised	(107)	5,026	-	-	4,919
Net change in fair value of investment properties held at balance date	40,308	305,242	-	-	345,550
Net change in fair value of investments held at balance date	621	17,286	-	-	17,907
Share of profit from equity accounted investments ^	13,441	-	(12)	-	13,429
Other income	324	10,961	-	-	11,285
<b>Total consolidated revenue and other income</b>	<b>190,125</b>	<b>514,281</b>	<b>8,195</b>	<b>111</b>	<b>712,712</b>
Net change in fair value of investment properties and property, plant and equipment derecognised	(992)	(35)	-	-	(1,027)
Property expenses and outgoings	(33,370)	(36,277)	-	-	(69,647)
Depreciation and amortisation expense	(6,096)	(2,906)	-	-	(9,002)
Cost of inventory sales	-	-	-	-	-
Impairment (charges) / reversal	(1,028)	-	(3,875)	-	(4,903)
Administrative and other expenses	(20,713)	(45,877)	(3,452)	-	(70,042)
<b>Segment result</b>	<b>127,926</b>	<b>429,186</b>	<b>868</b>	<b>111</b>	<b>558,091</b>
Net change in fair value of derivatives					28,101
Finance costs					(38,560)
<b>Profit before tax</b>					<b>547,632</b>
Income tax expense					(30,467)
<b>Net profit for the year attributable to members of the Group</b>					<b>517,165</b>

^ includes fair value gain of \$4.9 million

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

30 JUNE 2022

Year ended 30 June 2021	Property Investments		Property	Other	Consolidated
	Commercial	Storage	Developments		
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
Rental income	115,072	111,272	-	-	226,344
Finance income	-	-	15,070	75	15,145
Management and other fee income	3,516	9,639	-	-	13,155
Sale of inventory	-	-	-	2,944	2,944
Net change in fair value of investment properties and property, plant and equipment derecognised	506	2,056	-	-	2,562
Net change in fair value of investments and financial instruments derecognised	3,481	-	(4)	-	3,477
Net change in fair value of investment properties held at balance date	9,560	227,873	-	-	237,433
Net change in fair value of investments held at balance date	(2)	18,008	(15,257)	-	2,749
Share of profit from equity accounted investments ^	16,838	48	(25)	-	16,861
Impairment reversal / (charges)	-	(164)	3,800	-	3,636
Other income	40	8,203	-	-	8,243
<b>Total consolidated revenue and other income</b>	<b>149,011</b>	<b>376,935</b>	<b>3,584</b>	<b>3,019</b>	<b>532,549</b>
Property expenses and outgoings	(30,103)	(31,599)	-	-	(61,702)
Depreciation and amortisation expense	(5,669)	(2,237)	-	-	(7,906)
Cost of inventory sales	-	-	-	(2,709)	(2,709)
Administrative and other expenses	(16,633)	(27,810)	(2,662)	(45)	(47,150)
<b>Segment result</b>	<b>96,606</b>	<b>315,289</b>	<b>922</b>	<b>265</b>	<b>413,082</b>
Net change in fair value of derivatives					(4,571)
Finance costs					(23,279)
Profit before tax					385,232
Income tax expense					(15,611)
<b>Net profit for the year</b>					<b>369,621</b>
Less non-controlling interest					(212)
<b>Net profit for the year attributable to members of the Group</b>					<b>369,409</b>

^ includes fair value gain of \$9.4 million

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**  
**30 JUNE 2022**

	Property Investments		Property		Total
	Commercial	Storage	Development	Unallocated	
<b>As at 30 June 2022</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current assets	20,233	17,331	-	210,563	248,127
Non-current assets	2,496,703	2,574,488	-	87,741	5,158,932
<b>Total assets</b>	<b>2,516,936</b>	<b>2,591,819</b>	<b>-</b>	<b>298,304</b>	<b>5,407,059</b>
Current liabilities	22,528	27,534	-	87,888	137,950
Non-current liabilities	-	3,909	-	1,764,091	1,768,000
<b>Total liabilities</b>	<b>22,528</b>	<b>31,443</b>	<b>-</b>	<b>1,851,979</b>	<b>1,905,950</b>
<b>Net assets</b>	<b>2,494,408</b>	<b>2,560,376</b>	<b>-</b>	<b>(1,553,675)</b>	<b>3,501,109</b>
Total facilities - bank loans					2,057,750
Facilities used at reporting date - bank loans					(1,677,011)
<b>Facilities unused at reporting date - bank loans</b>					<b>380,739</b>

	Property Investments		Property		Total
	Commercial	Storage	Development	Unallocated	
<b>As at 30 June 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current assets	161,571	-	20,716	96,330	278,617
Non-current assets	1,873,478	1,755,374	95,294	56,294	3,780,440
<b>Total assets</b>	<b>2,035,049</b>	<b>1,755,374</b>	<b>116,010</b>	<b>152,624</b>	<b>4,059,057</b>
Current liabilities	16,417	18,103	14,259	75,403	124,182
Non-current liabilities	905	906	776	1,030,409	1,032,996
<b>Total liabilities</b>	<b>17,322</b>	<b>19,009</b>	<b>15,035</b>	<b>1,105,812</b>	<b>1,157,178</b>
<b>Net assets</b>	<b>2,017,727</b>	<b>1,736,365</b>	<b>100,975</b>	<b>(953,188)</b>	<b>2,901,879</b>
Total facilities - bank loans					1,359,930
Facilities used at reporting date - bank loans					(959,894)
<b>Facilities unused at reporting date - bank loans</b>					<b>400,036</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**1. REVENUE**

	2022	2021
	\$'000	\$'000
<b>(a) Finance income</b>		
Interest and fee income on secured loans - amortised cost	2,924	2,897
Interest and fee income on secured loans - fair value	8,199	12,173
Bank interest	111	75
<b>Total finance income</b>	<b>11,234</b>	<b>15,145</b>
<b>(b) Net change in fair value of investments held at balance date</b>		
Net change in fair value of listed and unlisted property securities held at balance date	17,953	18,017
Net change in fair value of property loans held at balance date	-	(15,268)
Net change in fair value of other investments held at balance date	(46)	-
<b>Total change in fair value of investments held at balance date</b>	<b>17,907</b>	<b>2,749</b>

**2. EARNINGS PER STAPLED SECURITY**

	2022	2021
Basic and diluted earnings per stapled security (cents)	61.11	49.84
<b>Reconciliation of earnings used in calculating earnings per stapled security</b>		
<i>Basic and diluted earnings per stapled security</i>		
<b>Net profit (\$'000)</b>	<b>517,165</b>	<b>369,409</b>
<b>Weighted average number of securities:</b>		
Weighted average number of stapled securities for basic earnings per security ('000)	846,260	741,130

**3. EXPENSES**

	2022	2021
	\$'000	\$'000
<b>(a) Depreciation and amortisation expenses</b>		
Depreciation and amortisation of property, plant and equipment and intangible assets	4,307	3,682
Amortisation - leasing costs	4,695	4,224
<b>Total depreciation and amortisation expenses</b>	<b>9,002</b>	<b>7,906</b>
<b>(b) Finance costs</b>		
Interest on loans	32,496	19,255
Amortisation of finance costs	6,064	4,024
<b>Total finance costs</b>	<b>38,560</b>	<b>23,279</b>
<b>(c) Administrative and other expenses ^</b>		
Wages and salaries	52,512	31,005
Contributions to defined contribution plans	3,482	2,140
Other expenses	14,048	14,005
<b>Total administrative and other expenses</b>	<b>70,042</b>	<b>47,150</b>

^ includes administrative and other expenses of the Storage King Group which was acquired in December 2020.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**4. INCOME TAX**

	2022	2021
	\$'000	\$'000
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax charge	(1,280)	10,426
Adjustments in respect of current income tax of previous years	654	(2)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	31,093	5,187
<b>Income tax expense reported in the income statement</b>	<b>30,467</b>	<b>15,611</b>

**(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	547,632	385,232
Prima facie income tax expense calculated at 30% (AU)	163,218	114,646
Prima facie income tax expense calculated at 28% (NZ)	1,000	862
Less prima facie income tax expense on profit from Trusts	(135,853)	(96,326)
Prima Facie income tax of entities subject to income tax	28,365	19,182
Adjustment of prior year tax applied	654	(2)
Unrecognised tax benefit	1,614	-
Share of results of joint ventures and associates	(418)	(1,938)
Security acquisition rights	71	(163)
Other items (net)	181	(1,468)
<b>Income tax expense reported in the income statement</b>	<b>30,467</b>	<b>15,611</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**4. INCOME TAX (continued)**

	2022	2021
	\$'000	\$'000
<b>(c) Recognised deferred tax assets and liabilities</b>		
Deferred income tax relates to the following:		
<b>Deferred tax liabilities</b>		
Revaluation of investment properties at fair value	36,551	22,524
Revaluation of investments and financial instruments at fair value	1,775	-
Capital allowances	2,140	2,027
Brand	9,489	9,489
Other	8,968	6,522
<b>Gross deferred income tax liabilities</b>	<b>58,923</b>	<b>40,562</b>
Set off against deferred tax assets	(6,017)	(2,835)
<b>Net deferred income tax liabilities</b>	<b>52,906</b>	<b>37,727</b>
<b>Deferred tax assets</b>		
Revaluation of investments and financial instruments at fair value	65	6,066
Provisions - other	-	13,755
Provisions - employee entitlements	4,126	3,313
Losses available for offset against future taxable income	16,885	1,022
Other	939	1,113
<b>Gross deferred income tax assets</b>	<b>22,015</b>	<b>25,269</b>
Set off of deferred tax liabilities	(6,017)	(2,835)
<b>Net deferred income tax assets</b>	<b>15,998</b>	<b>22,434</b>

**Tax consolidation**

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

*Nature of the tax funding agreement*

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**5. INVESTMENT PROPERTIES**

	2022	2021
	\$'000	\$'000
Leasehold investment properties <sup>1</sup>	13,272	11,613
Freehold investment properties	4,487,310	3,338,329
<b>Total investment properties</b>	<b>4,500,582</b>	<b>3,349,942</b>

1. The carrying amount of the leasehold property is presented gross of the finance liability of \$2.5 million (2021: \$2.5 million).

	2022	2021
	\$'000	\$'000
<b>Investment properties held for sale</b>		
Commercial	-	161,571
<b>Total investment properties held for sale</b>	<b>-</b>	<b>161,571</b>

<b>Investment properties</b>		
Self Storage	2,239,949	1,430,205
Commercial	2,260,633	1,758,166
<b>Total investment properties</b>	<b>4,500,582</b>	<b>3,188,371</b>

<b>Total investment properties including held for sale</b>	<b>4,500,582</b>	<b>3,349,942</b>
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**Reconciliation**

A reconciliation of the carrying amount of investment properties at the beginning and end of the year is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 12(d):

	Non-current	
	2022	2021
	\$'000	\$'000
<b>Leasehold investment properties</b>		
Carrying amount at beginning of the financial year	11,613	12,300
Capital expenditure	27	489
Net change in fair value as at balance date	1,632	(1,176)
<b>Carrying amount at end of the year</b>	<b>13,272</b>	<b>11,613</b>

	Held for sale		Non-current	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Freehold investment properties</b>				
Carrying amount at beginning of the financial year	161,571	-	3,176,758	2,640,616
Additions	-	-	975,760	312,311
Capital expenditure*	511	-	118,705	163,128
Net change in fair value as at balance date	-	-	343,918	238,609
Net change in fair value derecognised	(685)	-	(351)	2,558
Disposals	(161,397)	-	(120,651)	(18,831)
Effect of movements in foreign exchange	-	-	(8,710)	(1,001)
Properties transferred to / from held for sale	-	161,571	-	(161,571)
Straightlining	-	-	1,881	939
<b>Carrying amount at end of the year</b>	<b>-</b>	<b>161,571</b>	<b>4,487,310</b>	<b>3,176,758</b>

\* includes \$2.5m of borrowing costs capitalised during the year (2021: \$1.7 million).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

### 5. INVESTMENT PROPERTIES (continued)

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

#### *Sensitivity Information*

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

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

When calculating the income capitalisation approach, the net market rent has 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 Group's internal valuation process. He is assisted by 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 11.

The weighted average capitalisation rate for Abacus is 5.39% (2021: 5.65%) and for each significant category above is as follows:

- Self Storage – 5.45% (2021: 5.74%)
- Commercial – 5.33% (2021: 5.54%)

The optimal occupancy rate utilised in the valuation process ranged from 80.0% to 100.0% (2021: 80.0% to 100.0%). The current occupancy rate for the principal portfolio excluding development and self storage assets is 95.0% (2021: 94.7%). The occupancy rate for the established self storage portfolio is 93.2% (2021: 91.0%).

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**5. INVESTMENT PROPERTIES (continued)**

The key assumptions and estimates used in the valuations which considered the impact of COVID-19 include:

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

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

In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the Group'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 \$218.9 million (2021: \$155.1 million) or decrease the fair value by \$199.5 million (2021: \$141.9 million) respectively.

During the year ended 30 June 2022, 60% (2021: 46%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 40% (2021: 54%) were subject to internal valuation.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

5. INVESTMENT PROPERTIES (continued)

	Ownership Interest %	Fair Value 2022 \$'000	Capitalisation Rate 2022 %	Fair Value 2021 \$'000	Capitalisation Rate 2021 %
<b>Commercial</b>					
99 Walker Street, North Sydney NSW	100	308,000	5.00	300,000	5.00
77 Castlereagh St, Sydney NSW <sup>1</sup>	100	250,000	4.63	-	-
201 Elizabeth Street, Sydney NSW	32	227,200	4.63	203,200	5.00
The Oasis, Broadbeach QLD	100	178,000	6.75	174,000	7.00
314-336 Bourke Street, Melbourne VIC	33	153,333	5.50	-	-
452 Johnston Street, Abbotsford VIC	100	140,000	5.25	105,000	5.50
14 Martin Place, Sydney NSW	50	121,500	4.75	120,000	4.88
Industry Lanes, Richmond, VIC	50	110,850	4.75	71,241	-
Westpac House, Adelaide SA	50	91,250	6.50	88,000	6.50
324 Queen Street, Brisbane QLD	50	91,250	5.63	82,500	5.75
Ashfield Shopping Centre, Ashfield NSW	50	88,000	5.50	97,500	5.50
Kingsgate, Fortitude Valley QLD	50	82,000	5.75	81,875	5.75
181 James Ruse Drive, Camellia NSW <sup>2</sup>	100	77,500	N/A	-	-
51 Allara Street, Canberra ACT	100	72,500	6.25	67,500	6.75
Market Central, Lutwyche QLD	50	70,350	5.75	71,350	6.00
11 Bowden Street, Alexandria NSW	100	55,500	5.25	56,000	5.25
710 Collins Street, Melbourne VIC <sup>3</sup>	-	-	-	112,000	5.25
464 St Kilda Road, Melbourne VIC <sup>4</sup>	-	-	-	48,500	5.25
Other (4 assets; 2021: 10 assets) <sup>5</sup>	50-100	143,400	4.91	241,071	5.33
<b>Total Commercial</b>		<b>2,260,633</b>	<b>5.33</b>	<b>1,919,737</b>	<b>5.54</b>
<b>Self Storage</b>					
NSW (42 facilities; 2021: 24 facilities) <sup>6</sup>	100	829,914	5.06	367,678	5.63
VIC (23 facilities; 2021: 22 facilities) <sup>7</sup>	100	378,239	5.57	300,833	5.55
QLD (21 facilities; 2021: 15 facilities) <sup>8</sup>	100	326,365	5.53	198,754	5.80
ACT (6 facilities; 2021: 6 facilities)	100	249,162	5.28	187,547	5.75
WA (10 facilities; 2021: 9 facilities) <sup>9</sup>	100	149,132	6.42	97,099	6.58
SA (2 facilities; 2021: 2 facilities)	100	23,308	5.87	18,977	5.87
NZ (15 facilities; 2021: 15 facilities)	100	283,829	5.82	259,317	5.76
<b>Total Self Storage</b>		<b>2,239,949</b>	<b>5.45</b>	<b>1,430,205</b>	<b>5.74</b>

1. In February 2022, Abacus acquired 100% interest in 77 Castlereagh Street, Sydney NSW.
2. Abacus has converted its interest in 181 James Ruse Drive, Camellia from inventory to investment property in May 2022.
3. Abacus divested 50% of interest in Abacus 710 Collins St Trust in July 2021. The Trust has become a Joint Venture and was renamed as AW 710 Collins St Trust.
4. Abacus has divested its interest in 464 St Kilda Melbourne VIC in March 2022.
5. Abacus has divested seven properties being Eagle Farm and Brendale in July 2021, Southport in August 2021, 444 Queen Street Brisbane in October 2021, Campellfield November 2021, and Potts Point and Port Macquarie in June 2022. Abacus has also converted its interest in 56 Prescott, Milperra from lender to owner.
6. Abacus acquired 18 properties in NSW being Artarmon, 2 sites in Chatswood, Cromer, Gladesville, Gregory Hills, Kings Park, Leppington, Marsden Park, Mascot, Mittagong, Morisset, North Wyong, Pymble, Raymond Terrace, South Windsor, St Leonards and Wollongong NSW.
7. Abacus acquired one property in Victoria being Knoxfield in April 2022.
8. Abacus acquired six properties in Queensland being Helensvale and Upper Coomera in July 2021, Brendale in September 2021, Burleigh Heads in October 2021, Hope Island in December 2021 and Kunda Park in February 2022.
9. Abacus acquired one property in Western Australia being Osborne Park in September 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**6. INVENTORY**

	2022	2021
	\$'000	\$'000
<b>Non-current</b>		
Property developments <sup>1</sup>		
- purchase consideration	-	48,064
	-	<b>48,064</b>
<b>Total inventory</b>	-	<b>48,064</b>

1. Inventories are held at the lower of cost and net realisable value. The inventories have been converted to investment property during the year.

**7. PROPERTY LOANS AND OTHER FINANCIAL ASSETS**

	2022	2021
	\$'000	\$'000
<b>(a) Current property loans</b>		
Secured loans - fair value	-	17,847
Interest receivable on secured loans - fair value	-	2,869
	-	<b>20,716</b>
<b>(b) Non-current property loans</b>		
Secured loans - amortised cost	53,148	-
Provision for secured loans - amortised cost	(4)	-
Secured loans - fair value	-	41,726
Interest receivable on secured loans - fair value	-	5,504
	<b>53,144</b>	<b>47,230</b>
<b>(c) Non-current other financial assets</b>		
Investment in securities - listed - fair value	240,469	231,895
Investment in securities and options - unlisted - fair value	3,865	2,590
	<b>244,334</b>	<b>234,485</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

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

	Fordtrans Pty Ltd*		AW 710 Collins St Trust^		Other Joint Ventures		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	12,032	34,090	10,112	-	16,984	26,288	39,128	60,378
Expenses	(4,446)	(4,305)	(1,776)	-	(5,254)	(23,030)	(11,476)	(27,335)
<b>Net profit</b>	<b>7,586</b>	<b>29,785</b>	<b>8,336</b>	<b>-</b>	<b>11,730</b>	<b>3,258</b>	<b>27,652</b>	<b>33,043</b>
<b>Share of net profit</b>	<b>3,621</b>	<b>14,892</b>	<b>3,886</b>	<b>-</b>	<b>5,922</b>	<b>1,969</b>	<b>13,429</b>	<b>16,861</b>

\* Included in the net profit of Fordtrans Pty Ltd for the year ended 30 June 2022: interest income \$1.5 million (2021: \$1.6 million) and interest expense \$1.5 million (2021: \$1.5 million).

^ Included in the net profit of AW 710 Collins St Trust for the year end 30 June 2022: interest income \$Nil and interest expense \$Nil.

**(b) Extract from joint ventures' balance sheets**

	Fordtrans Pty Ltd*		AW 710 Collins St Trust^		Other Joint Ventures		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	5,824	5,909	772	-	3,939	8,191	10,535	14,100
Non-current assets	245,859	232,403	117,000	-	108,467	99,365	471,326	331,768
Current liabilities	251,683	238,312	117,772	-	112,406	107,556	481,861	345,868
Non-current liabilities	(5,911)	(10,305)	(3,548)	-	(12,562)	(16,674)	(22,021)	(26,979)
Net assets	(79,554)	(64,711)	-	-	(34,825)	(35,692)	(114,379)	(100,403)
<b>Net assets</b>	<b>166,218</b>	<b>163,296</b>	<b>114,224</b>	<b>-</b>	<b>65,019</b>	<b>55,190</b>	<b>345,461</b>	<b>218,486</b>
<b>Share of net assets</b>	<b>83,109</b>	<b>81,648</b>	<b>57,112</b>	<b>-</b>	<b>32,740</b>	<b>28,766</b>	<b>172,961</b>	<b>110,414</b>

\* Included in the net assets of Fordtrans Pty Ltd as at 30 June 2022: cash and cash equivalents \$4.1 million (2021: \$1.1 million), current interest bearing loans and borrowings \$Nil (2021: \$Nil) and non-current interest bearing loans and borrowings \$65.0 million (2021: \$61.0 million).

^ Included in the net assets of AW 710 Collins St Trust as at 30 June 2022: current interest bearing loans and borrowings \$Nil and non-current interest bearing loans and borrowings \$Nil.

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

**1. Fordtrans Pty Ltd (Virginia Park) ("VP")**

Abacus has a 50% interest in the ownership and voting rights of Fordtrans Pty Ltd. VP's principal place of business is in Bentleigh East, Victoria.

VP owns a sizeable Business Park providing a mixture of industrial and office buildings as well as supporting facilities including gymnasium, swim centre, childcare centre, children's play centre and cafe. Abacus jointly controls the venture with the other partner under the terms of Unitholders Agreement and requires unanimous consent for all major decisions over the relevant activities.

Abacus' share of distributions (including capital distributions) for the year ended 30 June 2022 was \$2.3 million (2021: \$2.1 million).

**2. AW 710 Collins Street Trust ("710 Collins")**

Abacus had divested 50% interest in the AW 710 Collins Street Trust which owns the office building at 710 Collins Street Melbourne, VIC and it was completed for \$55.9 million in July 2021.

Abacus' share of distributions (including capital distributions) for the year ended 30 June 2022 was \$2.0 million (2021: \$Nil).

**NOTES TO THE FINANCIAL STATEMENTS**

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**9. CASH AND CASH EQUIVALENTS**

	2022	2021
	\$'000	\$'000
Reconciliation to Statement of Cash Flow		
For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following:		
Cash at bank and in hand <sup>1</sup>	176,505	57,992
1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.		
Net profit	517,165	369,621
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	9,002	7,906
Net change in fair value of derivatives	(28,101)	4,571
Net change in fair value of investment properties held at balance date	(345,550)	(237,433)
Net change in fair value of investments held at balance date	(17,907)	(2,749)
Net change in fair value of investment properties derecognised	1,035	(2,558)
Net change in fair value of investment and financial instruments derecognised	(4,919)	(3,477)
Net (gain) / loss on disposal of property, plant and equipment	(8)	(4)
Share of profit from equity accounted investments	(13,429)	(16,861)
Increase / (decrease) in payables	24,986	16,494
(Increase) / decrease in inventories	-	2,709
(Increase) / decrease in receivables and other assets	15,989	(6,618)
<b>Net cash from operating activities</b>	<b>158,263</b>	<b>131,601</b>

**(a) Disclosure of financing facilities**

Refer to Note 11.

**(b) Disclosure of non-cash financing facilities**

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 13.7 million (2021: 26.4 million) stapled securities were issued with a cash equivalent of \$44.3 million (2021: \$71.3 million).

## NOTES TO THE FINANCIAL STATEMENTS

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### 10. CAPITAL MANAGEMENT

Group 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. Abacus also protects its equity in assets by taking out insurance.

Abacus 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, Abacus 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 funds from operations).

The following strategies are available to the Group 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 from joint ventures, or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

During the year, Abacus refinanced and increased its bank loan facilities including its Headstock syndicated facility to \$1 billion with the longest-dated tranche expiring in July 2028. Abacus also increased and refinanced its Self Storage syndicated facility to \$1 billion with the longest-dated tranche expiring in July 2027. Abacus has no bank debt expiring in financial year ending 30 June 2023 with the majority of debt expiring from the financial year ending 30 June 2025 onwards.

Abacus has a total gearing covenant as a condition of the current \$1 billion Headstock syndicated facility and the \$11 million Bilateral facility. The total gearing covenant requires Abacus to have total liabilities (net of cash) to be less than or equal to 50% of total tangible assets (net of cash). As at date of reporting period, Abacus was compliant in meeting all its debt covenants.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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**11. INTEREST BEARING LOANS AND BORROWINGS**

	2022	2021
	\$'000	\$'000
<b>(a) Non-current</b>		
Bank loans - A\$	1,492,137	822,805
Bank loans - A\$ value of NZ\$ denominated loan	184,885	137,099
Loan from related party - A\$	32,654	31,158
Less: Unamortised borrowing costs	(435)	(2,537)
<b>(a) Total non-current</b>	<b>1,709,241</b>	<b>988,525</b>

	2022	2021
	\$'000	\$'000
<b>(b) Maturity profile of current and non-current interest bearing loans</b>		
Due within one year	-	-
Due between one and five years	883,172	481,512
Due after five years	826,069	507,013
	<b>1,709,241</b>	<b>988,525</b>

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

Bank loans are \$A and \$NZ denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans term to maturity varies from July 2023 to July 2028. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 76.1% (2021: 46.5%) of bank debt drawn was subject to fixed rate hedges and the drawn bank debt had a weighted average term to maturity of 4.7 years (2021: 4.8 years). Hedge cover as a percentage of available facilities at 30 June 2022 was 62.1% (2021: 32.9%).

Abacus' weighted average interest rate for bank debt as at 30 June 2022 was 2.07% (2021: 1.95%). Line fees on undrawn facilities contributed to 0.18% of the weighted average interest rate at 30 June 2022 (2021: 0.37%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2022 was 1.89% (2021: 1.58%).

**Assets pledged as security**

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

	2022	2021
	\$'000	\$'000
<b>Current</b>		
<i>First mortgage</i>		
Investment properties held for sale	-	27,969
Total current assets pledged as security	-	27,969
<b>Non-current</b>		
<i>First mortgage</i>		
Investment properties	4,062,149	3,007,437
Total non-current assets pledged as security	4,062,149	3,007,437
<b>Total assets pledged as security</b>	<b>4,062,149</b>	<b>3,035,406</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

### 12. FINANCIAL INSTRUMENTS

#### Financial Risk Management

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

The Group's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Group. 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 Group is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions principally interest rate derivatives. The purpose is to manage the interest rate exposure arising from the Group'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 22 to the financial statements.

#### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations including any adverse economic events such as the COVID-19 pandemic, and arises principally from the Group's receivables from customers, investment in securities and options, secured property loans and interest bearing loans and derivatives with banks.

The Group 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 as an investment into joint ventures, associates, related parties and third 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 associates, joint ventures, related parties and third parties on an ongoing basis; and
- obtaining collateral as security (where required or appropriate).

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**12. FINANCIAL INSTRUMENTS (continued)**

**(a) Credit risk (continued)**

**Credit risk exposures**

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

	Carrying Amount	
	2022	2021
	\$'000	\$'000
Receivables	43,472	33,653
Listed and unlisted property securities	244,334	234,485
Cash and cash equivalents	176,505	57,992
Derivatives	58,941	673
<b>Cash and other financial assets</b>	<b>523,252</b>	<b>326,803</b>
Secured property loans - amortised cost *	53,144	-
Secured property loans - fair value	-	67,946
<b>Secured property loans</b>	<b>53,144</b>	<b>67,946</b>
<b>Total credit risk exposure</b>	<b>576,396</b>	<b>394,749</b>

\* The secured property loan is with one borrower.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

### 12. FINANCIAL INSTRUMENTS (continued)

#### (b) Liquidity Risk

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

The Group'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 Group'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 Group's assessment of liquidity risk.

	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>					
Trade and other payables	127,030	127,030	127,030	-	-
Interest bearing loans and borrowings incl derivatives#	1,709,241	2,079,133	53,073	1,177,306	848,754
<b>Total liabilities</b>	<b>1,836,271</b>	<b>2,206,163</b>	<b>180,103</b>	<b>1,177,306</b>	<b>848,754</b>

	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>					
Trade and other payables	112,135	112,135	112,135	-	-
Interest bearing loans and borrowings incl derivatives#	989,483	1,124,601	24,019	585,469	515,113
<b>Total liabilities</b>	<b>1,101,618</b>	<b>1,236,736</b>	<b>136,154</b>	<b>585,469</b>	<b>515,113</b>

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

#### (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 Group'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.

##### *Interest rate risk / Fair value interest rate risk*

The Group'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 Group hedges to minimise interest rate risk by entering into 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 Group 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 2022, after taking into account the effect of interest rate swaps, approximately 76.1% (2021: 46.5%) of the Group's drawn debt is subject to fixed rate hedges. Hedge cover as a percentage of available facilities at 30 June 2022 is 62.1% (2021: 32.9%). As the Group 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 2022

**12. FINANCIAL INSTRUMENTS (continued)**

**(c) Market Risk (continued)**

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

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

	Floating interest rate \$'000	Fixed interest less than 1 year \$'000	Fixed interest 1 to 5 years \$'000	Fixed interest over 5 years \$'000	Non interest bearing \$'000	Total \$'000
<b>30 June 2022</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	176,505	-	-	-	-	176,505
Receivables	-	-	-	-	43,472	43,472
Secured loans	-	-	53,144	-	-	53,144
Derivatives	-	20,869	38,072	-	-	58,941
Other financial assets	-	-	-	-	244,334	244,334
<b>Total financial assets</b>	<b>176,505</b>	<b>20,869</b>	<b>91,216</b>	<b>-</b>	<b>287,806</b>	<b>576,396</b>
Weighted average interest rate <sup>^</sup>	0.85%		5.50%			
<b>Financial liabilities</b>						
Interest bearing liabilities - bank	1,630,261	-	46,750	-	(424)	1,676,587
Interest bearing liabilities - other	-	-	32,654	-	-	32,654
Payables	-	-	-	-	127,030	127,030
<b>Total financial liabilities</b>	<b>1,630,261</b>	<b>-</b>	<b>79,404</b>	<b>-</b>	<b>126,606</b>	<b>1,836,271</b>
Notional principal swap balance maturities*	-	780,000	1,175,000	-	-	1,955,000
Weighted average interest rate on drawn bank debt*	2.07%					

	Floating interest rate \$'000	Fixed interest less than 1 year \$'000	Fixed interest 1 to 5 years \$'000	Fixed interest over 5 years \$'000	Non interest bearing \$'000	Total \$'000
<b>30 June 2021</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	57,992	-	-	-	-	57,992
Receivables	-	-	-	-	33,653	33,653
Secured loans	-	20,716	47,230	-	-	67,946
Derivatives	-	-	673	-	-	673
Other financial assets	-	-	-	-	234,485	234,485
<b>Total financial assets</b>	<b>57,992</b>	<b>20,716</b>	<b>47,903</b>	<b>-</b>	<b>268,138</b>	<b>394,749</b>
Weighted average interest rate <sup>^</sup>	0.10%	10.00%	10.00%			
<b>Financial liabilities</b>						
Interest bearing liabilities - bank	913,144	-	-	46,750	(2,527)	957,367
Interest bearing liabilities - other	-	-	31,158	-	-	31,158
Derivatives	-	678	280	-	-	958
Payables	-	-	-	-	112,135	112,135
<b>Total financial liabilities</b>	<b>913,144</b>	<b>678</b>	<b>31,438</b>	<b>46,750</b>	<b>109,608</b>	<b>1,101,618</b>
Notional principal swap balance maturities*	-	170,000	230,000	-	-	400,000
Weighted average interest rate on drawn bank debt*	1.95%					

\* calculated at 30 June

<sup>^</sup> weighted average interest rate excludes the impact of derivatives

**NOTES TO THE FINANCIAL STATEMENTS**

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**12. FINANCIAL INSTRUMENTS (continued)****(c) Market Risk (continued)***Interest rate risk / Fair value interest rate risk (continued)*

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

	Carrying amount	AUD			
		Floating	-1%	+1%	
			Profit	Equity	Profit
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	176,505	(1,765)	-	1,765	-
Financial liabilities	1,630,261	3,611	-	14,623	-

	Carrying amount	AUD			
		Floating	-1%	+1%	
			Profit	Equity	Profit
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	57,992	(580)	-	580	-
Financial liabilities	913,144	639	-	(1,963)	-

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

### 12. FINANCIAL INSTRUMENTS (continued)

#### (d) Fair values

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

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

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

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

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

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

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Direct comparison	This method directly compares and analyses sales evidence on a rate per unit.
Discounted cash flow method	Under the DCF method, the fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets' or liabilities' life including an exit or terminal value. The DCF method involves the projection of a series of cash flows from the assets or liabilities. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash flow stream associated with the assets or liabilities.
Pricing models – unlisted securities	The fair value is determined by reference to the net assets which approximates fair value of the underlying entities.
Pricing models – options	The fair value is determined using generally accepted pricing models including Black-Scholes and adjusted for specific features of the options including share price, underlying net assets and property valuations and prevailing exchange rates.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**12. FINANCIAL INSTRUMENTS (continued)**

**(d) Fair values (continued)**

The following table is a reconciliation of the movements in secured loans, unlisted securities and options classified as Level 3 for the year ended 30 June 2022.

	Secured loans	Unlisted securities/ options	Total
	\$'000	\$'000	\$'000
<b>Opening balance as at 30 June 2021</b>	67,946	2,590	70,536
Fair value movement through the income statement	-	629	629
Additions	-	646	646
Disposals	(67,946)	-	(67,946)
<b>Closing balance as at 30 June 2022</b>	-	3,865	3,865

	Secured loans	Unlisted securities/ options	Total
	\$'000	\$'000	\$'000
<b>Opening balance as at 30 June 2020</b>	115,802	839	116,641
Fair value movement through the income statement	(15,257)	44	(15,213)
Additions	21,256	1,707	22,963
Disposals	(53,855)	-	(53,855)
<b>Closing balance as at 30 June 2021</b>	67,946	2,590	70,536

*Sensitivity of Level 3 – unlisted securities and options*

The potential effect of using reasonable possible alternative assumptions based on a decrease / increase in the property valuations by 5% would have the effect of reducing the fair value by up to \$0.1 million (2021: \$0.1 million) or increase the fair value by \$0.1 million (2021: \$0.1 million) respectively.

**13. CONTRIBUTED EQUITY**

	2022	2021
	\$'000	\$'000
<b>(a) Issued stapled securities</b>		
Stapled securities	2,646,488	2,398,882
Issue costs	(53,142)	(49,091)
<b>Total contributed equity</b>	2,593,346	2,349,791

	Stapled securities	
	Number	Number
	2022	2021
	'000	'000
<b>(b) Movement in stapled securities on issue</b>		
<b>At beginning of financial year</b>	818,591	653,502
- equity raisings	60,145	138,692
- distribution reinvestment plan	13,693	26,397
<b>Securities on issue at end of financial year</b>	892,429	818,591

**NOTES TO THE FINANCIAL STATEMENTS**

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**14. DISTRIBUTIONS PAID AND PROPOSED**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Distributions paid during the year</b>		
June 2021 half: 9.00 cents per stapled security (2020: 9.05 cents)*	73,673	59,142
December 2021 half: 8.75 cents per stapled security (2020: 8.50 cents)	72,784	68,374
<b>(b) Distributions proposed and recognised as a liability<sup>^</sup></b>		
June 2022 half: 9.25 cents per stapled security (2021: 8.50 cents)	82,550	69,580

\* The final distribution of 9.00 cents per stapled security comprised of a distribution of 8.50 cents paid on 31 August 2021 and additional distribution of 0.5 cents paid on 30 September 2021.

<sup>^</sup> The final distribution of 9.25 cents per stapled security declared on 27 June 2022. The distribution being paid on or around 31 August 2022 will be approximately \$83.2 million.

Distributions were paid from Abacus Trust, Abacus Income Trust and Abacus Storage Property Trust (which do not pay tax provided they distribute all their taxable income) hence, there were no franking credits attached.

The total amount of franking credits available for the subsequent financial years including franking credits that will arise from the payment of income tax payable at the end of the financial year, based on a tax rate of 30 per cent, is \$103 million (2021: \$103 million).

**NOTES TO THE FINANCIAL STATEMENTS**

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**15. PARENT ENTITY FINANCIAL INFORMATION**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Results of the parent entity</b>		
Profit for the year	4,890	3,942
<b>Total comprehensive expense for the year</b>	<b>4,890</b>	<b>3,942</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	4,291	1,653
<b>Total assets</b>	<b>757,280</b>	<b>542,756</b>
Current liabilities	225	88
<b>Total liabilities</b>	<b>260,362</b>	<b>99,521</b>
<b>Net assets</b>	<b>496,918</b>	<b>443,235</b>
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	568,221	519,663
Accumulated losses	(74,244)	(79,133)
Employee options reserve	2,941	2,705
<b>Total equity</b>	<b>496,918</b>	<b>443,235</b>

**(a) Parent entity contingencies**

There are no contingencies of the parent entity as at 30 June 2022 (2021: \$19.0 million) due to the completion of Industry Lanes, Richmond, VIC and repayment of the associated construction loan.

**(b) Parent entity capital commitments**

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 16. PROPERTY, PLANT AND EQUIPMENT

	2022	2021
	\$'000	\$'000
<b>Non-current</b>		
Right of use property asset	453	1,360
Self Storage properties	20,670	19,711
Office equipment / furniture and fittings	545	593
<b>Total non-current property, plant and equipment</b>	<b>21,668</b>	<b>21,664</b>
<b>Total property, plant and equipment including held for sale</b>	<b>21,668</b>	<b>21,664</b>

The following table is a reconciliation of the movements of property, plant and equipment for the year ended 30 June 2022.

	2022	2021
	\$'000	\$'000
<b>Right of use property asset</b>		
At the beginning of the period net of accumulated depreciation	1,360	2,266
Depreciation charge for the period	(907)	(906)
<b>At the end of the period net of accumulated depreciation</b>	<b>453</b>	<b>1,360</b>
Gross value	3,173	3,173
Accumulated depreciation	(2,720)	(1,813)
<b>Net carrying amount at end of the year</b>	<b>453</b>	<b>1,360</b>
<b>Plant and equipment</b>		
At the beginning of the period net of accumulated depreciation	20,304	16,163
Additions	3,607	7,078
Disposal	-	(597)
Exchange differences	(225)	(63)
Depreciation charge for the period	(2,471)	(2,277)
<b>At the end of the period net of accumulated depreciation</b>	<b>21,215</b>	<b>20,304</b>
Gross value	34,678	31,284
Accumulated depreciation	(13,463)	(10,980)
<b>Net carrying amount at end of the year</b>	<b>21,215</b>	<b>20,304</b>
<b>Total</b>	<b>21,668</b>	<b>21,664</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**17. COMMITMENTS AND CONTINGENCIES**

**Abacus**

**(a) Operating lease commitments – Group as lessor**

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2022 are as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	106,998	84,561
Within two years	94,576	73,013
Within three years	81,837	54,673
Within four years	69,193	44,268
Within five years	53,164	32,102
More than five years	134,657	84,513
	<b>540,425</b>	<b>373,130</b>

These amounts do not include contingent rentals which may become receivable under certain leases on the basis of retail sales in excess of stipulated minimums and, in addition, do not include recovery of outgoings.

**(b) Capital and other commitments**

At 30 June 2022 the Group had numerous commitments which principally related to property acquisition settlements, loan facility guarantees for the Group's interest in the jointly controlled property developments and funds management vehicles, commitments relating to property refurbishing costs and unused mortgage loan facilities to third parties.

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

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year		
- gross settlement of property and investment acquisitions	48,526	159,018
- property refurbishment costs	24,621	14,570
- property development costs	81,636	69,880
- unused portion of loan facilities to outside parties	-	27,801
	<b>154,783</b>	<b>271,269</b>

**(c) Contingencies**

At 30 June 2022 the Group had a \$10.0 million bank guarantee facility which expires in July 2025 (2021: Nil) and \$7.5 million of bank guarantees had been issued from the facility (2021: Nil).

Bank guarantees issued at reporting date but not recognised as liabilities are as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank guarantees		
- Australian Financial Service Licences	7,500	-
- redevelopment of investment properties	1,502	1,502
- lease of office premises	564	564
	<b>9,566</b>	<b>2,066</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**18. RELATED PARTY DISCLOSURES**

**(a) Subsidiaries**

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

Entity	Equity interest	
	2022	2021
	%	%
<i>Abacus Group Holdings Limited and its subsidiaries</i>		
Abacus Castle Hill Trust	100	100
Abacus Finance Pty Limited	100	100
Abacus Funds Management Limited	100	100
Abacus Investment Pty Ltd	100	100
Abacus Mortgage Fund	100	100
Abacus Nominee Services Pty Limited	100	100
Abacus Nominees (No 5) Pty Limited	100	100
Abacus Nominees (No 7) Pty Limited	100	100
Abacus Nominees (No 9) Pty Limited	100	100
Abacus Nominees (No 11) Pty Limited	100	100
Abacus Note Facilities Pty Ltd	100	100
Abacus Property Services Pty Ltd	100	100
Abacus SP Note Facility Pty Ltd	100	100
Abacus Storage Funds Management Limited	100	100
Abacus Camellia Investments Pty Limited	100	-
Abacus Riverlands Investments Pty Limited	100	-
Abacus Hobart Growth Trust	-	100
Abacus Melbat Trust	-	100
Hurstbat Pty Limited	-	100
Villemel Pty Limited	-	100
<i>Abacus Group Projects Limited and its subsidiaries</i>		
Abacus Property Pty Ltd	100	100
Abacus Allara Street Trust*	74	74
Abacus Repository Trust*	74	74
Abacus Ventures Trust*	51	51

\* These entities are wholly owned by Abacus

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**18. RELATED PARTY DISCLOSURES (continued)**

**(a) Subsidiaries (continued)**

Entity	Equity interest	
	2022	2021
	%	%
<i>Abacus Trust and its subsidiaries:</i>		
Abacus 1769 Hume Highway Trust	-	100
Abacus Abbotsford Trust	100	100
Abacus Ann Street Trust	100	100
Abacus Ashfield Mall Property Trust	100	100
Abacus Bowden Street Trust	100	100
Abacus Jetstream Trust	-	100
Abacus K1 Property Trust	100	100
Abacus Lutwyche Trust	100	100
Abacus Oasis Trust	100	100
Abacus Potts Point Trust	100	100
Abacus Richmond Trust	100	100
Abacus Shopping Centre Trust	100	100
Abacus Short Street Trust	-	100
Abacus Virginia Trust	100	100
Abacus Westpac House Trust	100	100
Abacus Westpac House No. 2 Trust	100	100
Abacus 14 Martin Place Trust	100	100
Abacus 33 Queen Street Trust	100	100
Abacus 324 Queen Street Trust	100	100
Abacus 464 St Kilda Road Trust	100	100
Abacus 710 Collins Street Trust*	50	100
444 Queen Street Trust	100	100
Lutwyche City Shopping Centre Unit Trust	100	100
Oasis JV Unit Trust	100	100
<i>Abacus Income Trust and its subsidiaries:</i>		
Abacus Brendale Trust	-	100
Abacus Eagle Farm Trust	-	100
Abacus Grant Street Trust	100	100
Abacus Todd Road Trust	100	100
Castlereagh Sub 1 Trust	100	-
Castlereagh FH Sub 1 Trust	100	-

\* This entity has become a Joint Venture and was renamed as AW 710 Collins Street Trust.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**18. RELATED PARTY DISCLOSURES (continued)**

**(a) Subsidiaries (continued)**

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

**(b) Ultimate parent**

AGHL has been designated as the parent entity of the Group.

**(c) Key management personnel**

Details of payments are disclosed in Note 19.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**18. RELATED PARTY DISCLOSURES (continued)**

**(d) Transactions with related parties**

	2022	2021
	\$'000	\$'000
<b>Transactions with related parties other than associates and joint ventures</b>		
<b>Revenues</b>		
Property management fees received / receivable	268	239
<b>Transactions with associates and joint ventures</b>		
<b>Revenues</b>		
Management fees received / receivable from joint ventures	1,195	2,602
Revenue received / receivable from joint ventures	13,429	18,076
<b>Other transactions</b>		
Loan advanced to joint ventures	-	(8)
Loan repayments from joint ventures	-	999
Loan advanced from joint ventures	1,496	1,640
Loan repayments to joint ventures	-	(9,055)

*Terms and conditions of transactions*

Fees to and purchases and fees charged from related parties are made in accordance with commercial terms in the management 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.

Loan from related party is disclosed in Note 11.

*Ultimate controlling entity*

Calculator Australia Pty Ltd ("Kirsh") is the ultimate controlling securityholder in the Group with a holding of approximately 54% of the ordinary securities of the Group (2021: 54%).

During the year, Abacus Property Services Pty Ltd was engaged to manage the following properties:

Property	Relationship with Kirsh	Charge per annum	2022	2021
			\$	\$
14 Martin Place	Tenants-in-common	3% of gross rental	277,531	231,294
4 Martin Place	100% owned by Kirsh	3% of gross rental	268,093	239,052

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**19. KEY MANAGEMENT PERSONNEL**

**(a) Compensation for key management personnel**

	2022	2021
	\$	\$
Short-term employee benefits	4,726,052	3,747,524
Post-employment benefits	138,138	105,501
Other long-term benefits	319,154	37,342
Security-based payments	1,204,694	745,020
	<b>6,388,038</b>	<b>4,635,387</b>

**(b) Loans to key management personnel**

There were no loans to key management personnel and their related parties at any time in 2022 or in the prior year.

**(c) Other transactions and balances with key management personnel and their related parties**

During the financial year, transactions occurred between the Group and key management personnel which are within normal employee and investor relationships.

**20. SECURITY BASED PAYMENTS**

**(a) Recognised security payment expenses**

The expense recognised for employee services received during the year is as follows:

	2022	2021
	\$'000	\$'000
Expense arising from equity-settled payment transactions	2,388	1,932

**Type of security – based payment plan**

*Long Term Incentives (LTI)*

In FY22 Abacus introduced a new Long Term Incentive (“LTI”) Plan. The LTI plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the delivery of funds from operations (“FFO”), covering the distribution level implicit in the Group’s security price.

Key executives have been allocated LTIs in the current financial year. Allocations were based on the performance assessment completed in determining current variable incentive awards for the prior financial year, adjusted to take into account other factors that the Board considers specifically relevant for the purpose of providing LTIs.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**20. SECURITY BASED PAYMENTS (continued)****(a) Recognised security payment expenses (continued)**

The LTIs granted during the year vest as follows:

**KMP (MD and CFO only)**

Grant	Tranche	Vesting date	Potential number to vest
FY22 Grant	Tranche One – 50% of Grant	September 2024	234,314
	Tranche Two – 50% of Grant	September 2025	234,314

**Other Executives**

Grant	Tranche	Vesting date	Potential number to vest
FY22 Grant	Tranche One – 33% of Grant	September 2023	150,637
	Tranche Two – 33% of Grant	September 2024	150,637
	Tranche Three – 33% of Grant	September 2025	150,637

**Security Acquisition Rights (SARs)**

The deferred variable incentive plan ceased in the year ending 30 June 2021 and has been replaced by the LTI plan. The deferred variable incentive plan was delivered in the form of an annual grant of security acquisition rights (SARs) under the deferred security acquisition rights plan (SARs Plan). The SARs will continue to vest under this plan until September 2024.

When SARs vest, they will convert into ABP securities on a one for one basis or at the Board's discretion a cash equivalent amount will be paid.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**20. SECURITY BASED PAYMENTS (continued)**

**(b) Summary of Performance Rights granted**

*Long Term Incentives (LTI)*

The following table illustrates movements in LTI during this year:

	2022	2021
	No.	No.
Opening balance	-	-
Granted during the year	920,539	-
Forfeited during the year	-	-
Vested during the year	-	-
<b>Outstanding at the end of the year</b>	<b>920,539</b>	<b>-</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

The weighted average fair value of LTIs granted during the year was \$3.39 (2021: \$Nil).

*Security Acquisition Rights (SARs)*

The following table illustrates movements in SARs during this year:

	2022	2021
	No.	No.
Opening balance	2,025,528	1,580,715
Granted during the year	-	919,587
Forfeited during the year	-	-
Vested during the year	(517,369)	(474,774)
<b>Outstanding at the end of the year</b>	<b>1,508,159</b>	<b>2,025,528</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

The weighted average remaining life of the performance rights (both LTIs and SARs) at 30 June 2022 was 1.5 years (2021: 1.5 years).

The following table lists the inputs to the model used for the performance rights' plans for the years ended 30 June 2022 and 30 June 2021:

	2022	2021
Expected volatility (%)	32	30
Risk-free interest rate (%)	0.04 - 0.19	0.04 - 0.19
Life of instrument (years)	1.8 - 3.8	1.8 - 3.8
Model used	Trinomial	Trinomial

The expected life of the performance rights is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the performance rights is indicative of future trends, which may not necessarily be the actual outcome.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 21. INTANGIBLE ASSETS AND GOODWILL

## Description of the Group's intangible assets

*Abacus Funds Management Limited*

	Notes	2022 \$'000	2021 \$'000
<b>Goodwill</b>			
Balance at 1 July		32,394	32,394
<b>At the end of the year</b>		<b>32,394</b>	<b>32,394</b>

*Storage King Corporate Holdings Pty Limited*

	Notes	2022 \$'000	2021 \$'000
<b>Goodwill</b>			
Balance at 1 July		33,132	-
Additions		-	33,132
<b>At the end of the year</b>		<b>33,132</b>	<b>33,132</b>
<b>Brand and trademarks with indefinite lives</b>			
Balance at 1 July		31,629	-
Additions		-	31,629
<b>At the end of the year</b>		<b>31,629</b>	<b>31,629</b>
<b>Licences and management rights</b>			
Balance at 1 July		7,906	-
Additions		1	8,218
Amortisation charge for the year		(531)	(312)
<b>At the end of the year, net of accumulated amortisation</b>		<b>7,376</b>	<b>7,906</b>
<b>Software</b>			
At 1 July, net of accumulated amortisation		1,251	597
Additions		165	1,126
Amortisation charge for the year		(321)	(472)
<b>At the end of the year, net of accumulated amortisation</b>		<b>1,095</b>	<b>1,251</b>
<b>Total goodwill and intangibles</b>		<b>105,626</b>	<b>106,312</b>

**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 are allocated to the respective Group's property / asset management businesses or cash generating units relating to one of the Group's segment. The recoverable amount of the unit has been determined based on a fair value less costs to sell calculation using cash flow projections as at 30 June 2022 covering a five year period.

*(ii) Key assumptions used in valuation calculations*

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

- a. Management and other fee income: based on actual income and revenue / funds under management within the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**21. INTANGIBLE ASSETS AND GOODWILL (continued)**

- 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. Property values of the funds / properties under management for Abacus Funds Management Limited: based on the fair value of properties
- d. Selling costs: management's estimate of costs to sell the funds / properties under management
- e. For Abacus Funds Management Limited, a pre-tax discount rate of 7.5% (2021: 8.6%) and a terminal growth rate of 2.0% (2021: 1.9%) have been applied to the cash flow projections for goodwill to reflect the current risk-free rate.
- f. For Storage King Corporate Holdings Pty Limited, a pre-tax discount rate of 7.5% (2021: 8.4%) and a terminal growth rate of 2.0% (2021: 2.0%) have been applied to the cash flow projections for goodwill and all intangible assets to reflect the current risk-free rate.

*(iii) Sensitivity to changes in assumptions*

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

*(iv) Impact of the COVID-19 pandemic*

The review of the rates to be used in Abacus' impairment testing model resulted in the pre-tax discount rate and terminal growth rate remaining unchanged. The rates reflect current market conditions which include the current risk free rate and the impact of COVID-19.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

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

**(b) Statement of Compliance**

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

### 22. 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 Group for the annual reporting period ended 30 June 2022. The significant new standards or amendments are outlined below:

- AASB 2020-1, AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current (effective for annual reporting periods from 1 January 2023)

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

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

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

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (effective 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.

##### *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to AASB 16*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

### 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) New accounting standards and interpretations (continued)

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

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

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

The Group 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.

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

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

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

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

The amending standard made amendments to the following standards:

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

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

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

###### *Definition of Accounting Estimates – Amendments to AASB 108*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of AGHL and its subsidiaries, AT and its subsidiaries, AGPL and its subsidiaries, AIT and its subsidiaries, ASPT and its subsidiaries and ASOL and its subsidiaries collectively referred to as the Group.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group 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 Group and cease to be consolidated from the date on which control is transferred out of the Group. 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 Group 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 Group are in Australian dollars. Each entity in the Group 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 Group at the rate of exchange prevailing at balance date and the financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. 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 Group 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. 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 or principal 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.

*Dividends and distributions*

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

*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.

*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.

*Sale of inventory*

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed.

No revenue is recognised if there are significant uncertainties regarding performance obligations, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

**(g) Expenses**

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Cash and cash equivalents**

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

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

**(i) Trade and other receivables**

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

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

In assessing for impairment under AASB 9, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables, the Group 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 Group 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 Group 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 Group's treasury and hedging policy. They are not transacted for speculative purposes.

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

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

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

Financial assets in the scope of AASB 9 *Financial Instruments* are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The Group 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 Group's investments in listed and unlisted securities have been classified as financial assets at fair value through profit or loss and property loans are classified as loans and receivables at amortised cost. Property loan financial assets that have a certain level of profit sharing component that do not meet the solely payments of principal and interest (SPPI) criterion under AASB 9 are measured at FVTPL.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Investments and other financial assets (continued)***Financial assets at fair value through profit or loss*

The Group 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.

The Group holds investments in listed securities, unlisted securities and enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof.

*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.

**(l) Interest in joint arrangements**

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

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

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

**(m) Property, plant and equipment**

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

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

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

*Impairment*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(m) Property, plant and equipment (continued)**

Impairment losses are recognised in the income statement.

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

*Disposal*

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

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

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

**(n) 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. This includes investment properties under redevelopment because fair value can be calculated based on estimated fair value on completion of redevelopment after allowing for the remaining expected costs of completion plus an appropriate risk adjusted development margin. 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 Group to lessees, and rental guarantees which may be received by the Group 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.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(n) Investment properties (continued)**

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.

**(o) 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.

*Group 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.

*Group as a lessor*

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

The Group 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.

**(p) 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 Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(p) Goodwill and intangibles (continued)**

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

*Intangibles assets*

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

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

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

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

*Brand and trademarks*

The Group 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 Group. As a result, the brand and trademarks are assessed as having an indefinite useful life.

*Licencing and management agreements*

The Group 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.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Goodwill and intangibles (continued)**

*Software*

The Group 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 Group’s intangible assets is as follows:

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

**(q) 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 non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**(r) Trade and other payables**

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

**(s) Provisions and employee leave benefits**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

*Employee leave benefits*

*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(s) Provisions and employee leave benefits (continued)***ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(t) Distributions and dividends**

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

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

**(u) 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 Group 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 Group for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

**(v) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. 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 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(w) Inventories***Property Development*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated income statement. Reversals of previously recognised impairment charges are recognised in the consolidated income statement such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development costs and holding costs such as borrowing costs, rates and taxes.

**(x) Taxation**

The Group comprises taxable and non-taxable entities. 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 AT, AIT and ASPT are not liable to Australian income tax provided securityholders are presently entitled to the taxable income of the trusts and the trusts generally distribute their taxable income.

*Company income tax*

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

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

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(x) Taxation (continued)**

- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

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

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

*New Zealand*

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% (2021: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to securityholders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

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

*Goods and services tax (GST)*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(x) Taxation (continued)**

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

**(y) Earnings per stapled security (EPSS)**

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

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

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

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

**(z) Security based payment plans**

Executives of the Group receive remuneration in the form of security based payments, whereby Executives render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model and is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 20).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting conditions are satisfied, provided that all other performance and / or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the security based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2022

**23. AUDITOR'S REMUNERATION**

	2022	2021
	\$	\$
Amounts received or due and receivable by Ernst & Young Australia:		
- Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	1,075,000	1,100,000
- Services required by legislation to be provided by the auditor		
- compliance services	53,400	39,150
- Other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	102,000	71,470
- Other services		
- due diligence services	-	46,350
<b>Total</b>	<b>1,230,400</b>	<b>1,256,970</b>

**24. EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the financial year end:

- In August 2022, the Group acquired the remaining 50% interest in 324 Queen Street, Brisbane QLD for \$93.75m, reflecting an initial yield of 6.4%.

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

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Abacus Group Holdings Limited, we state that:

In the opinion of the directors:

- a. the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2022 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 22(b); and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board.



Myra Salkinder  
Chair  
Sydney, 16 August 2022



Steven Sewell  
Managing Director



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# Independent auditor's report to the members of Abacus Group Holdings Limited

## Report on the audit of the financial report

### Opinion

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

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

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

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

### Key audit matters

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

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



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## Investment Properties

### Why significant

The Group's total assets include investment properties either held directly or through an interest in Joint Ventures. These assets are carried at fair value, which was assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at the reporting date.

As disclosed in Note 5, the valuation of investment properties is inherently subjective 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 5 in assessing the property valuations at 30 June 2022.

### How our audit addressed the key audit matter

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.



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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

## **Responsibilities of the directors for the financial report**

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

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

## **Auditor's responsibilities for the audit of the financial report**

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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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.



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## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 36 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Abacus Group Holdings Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Anthony Ewan

Partner

Sydney

16 August 2022

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