

# 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 2021

## Results for announcement to the market

(corresponding period: year ended 30 June 2020)

|  |    |      |    |          |
|--|----|------|----|----------|
| Total revenues and other income  | up | 124% | to | \$532.5m |
| Net profit after income tax expense attributable to stapled security holders | up | 336% | to | \$369.4m |
| Funds from operations ("FFO") <sup>(1)</sup>                                 | up | 9.5% | to | \$136.4m |

(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 2021 | 30 June 2020 |
|---|--------------|--------------|
| Basic earnings per security (cents)                                 | 49.84        | 13.18        |
| Basic funds from operations per security (cents)                    | 18.40        | 19.38        |
| Distribution per security (cents - including proposed distribution) | 17.50        | 18.50        |
| Weighted average securities on issue (million)                      | 741.1        | 643.0        |

|  |                      |
|--|----------------------|
| Distribution   | per stapled security |
| June 2021 half year  | 8.50 cents           |
| This distribution was declared on 17 June 2021 will be paid on 31 August 2021.         |                      |
| Record date for determining entitlement to the distribution                            | 30 June 2021         |
| Additonal distribution   | per stapled security |
| June 2021 half year  | 0.50 cents           |
| This distribution is declared on 18 August 2021 and will be paid on 30 September 2021. |                      |
| Record date for determining entitlement to the distribution                            | 24 August 2021       |

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 2021.

| Details of individual and total distribution payments   | per stapled security | Total   |
|---|----------------------|---------|
| Half December 2020 distribution paid 28 February 2021   | 8.50                 | \$68.4m |
| 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 2021 | 30 June 2020 |
|---|--------------|--------------|
| Net tangible assets per security <sup>(2)</sup> | \$3.43       | \$3.32       |

(2) Net tangible assets per security excludes the 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 2021

# ANNUAL FINANCIAL REPORT

30 June 2021

## 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

Level 34, Australia Square  
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:

Robert Baulderstone

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

Ernst & Young  
200 George Street  
SYDNEY NSW 2000

#### Share Registry:

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

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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 30 June 2021. It is also recommended that the report be considered together with any public announcements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

**DIRECTORS' REPORT****30 June 2021**

The Directors of Abacus 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 2021.

**PRINCIPAL ACTIVITIES**

The principal activities of Abacus Property Group during the year were investment in commercial (office and other) and self storage properties, along with managing the 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 AASB and 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. 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 \$2.6 billion at 30 June 2021.

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.

The application of AASB 10 results in the consolidation of Abacus Wodonga Land Fund (collectively "Abacus" or the "Group"). Abacus Wodonga Land Fund owned the residential estate known as White Box Rise located in Wodonga, Victoria. During the year, the sale of the remaining 35 lots were settled in September 2020 and the fund was wound up.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2021 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, ASPT and its controlled entities and Abacus Wodonga Land Fund.

The principal activities of Abacus that contributed to its earnings during the year ended 30 June 2021 were investment in commercial and self storage properties to derive rental and management and other fee income.

These activities are reported in the segment information note.

## DIRECTORS' REPORT

30 June 2021

### OPERATING AND FINANCIAL REVIEW (continued)

#### GROUP STRATEGY

Abacus is positioned as a strong asset backed business with key investment sectors of commercial and self storage. Abacus invests its capital in assets with value add opportunities that are forecasted to drive long term total returns and maximise securityholder value. The Group's investment objective is to provide its investors with reliable and increasing returns. Abacus looks for property assets that can provide strong and stable cash-backed distributions from a portfolio that provides genuine potential for enhanced capital and income growth. Abacus does this through the acquisition, development and diligent active management of property assets. In particular:

- Use of specialised knowledge, track record and market positioning.
- Continuing to invest in property investments that are expected to yield an appropriate risk adjusted return over time.
- Driving value through active management of the asset portfolio.

Abacus has a successful track record of acquiring property-based assets and actively managing those assets to enhance income and capital growth. This track record has facilitated joint ventures with a number of sophisticated local and global third party capital providers. Most of the Group's investment success is from assets mainly in major city centres or suburban areas, typically on the eastern seaboard of Australia.

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 equity.

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.

|  | 2021  | 2020  |
|--|-------|-------|
| <b>Revenue (\$ million)</b>  | 257.6 | 262.3 |
| <b>Total income (\$ million)</b>   | 532.5 | 237.9 |
| <b>Statutory net profit excluding non-controlling interests (\$ million)</b> | 369.4 | 84.7  |
| <b>Funds from operations (\$ million)</b>                                    | 136.4 | 124.6 |
| <b>Funds from operations per security (cents)</b>                            | 18.40 | 19.38 |
| <b>Distributions per security (cents)</b>                                    | 17.50 | 18.50 |
| <b>Interest cover ratio</b>  | 8.8x  | 7.6x  |
| <b>Weighted securities on issue (million)</b>                                | 741.1 | 643.0 |

The Group earned a statutory net profit excluding non-controlling interests of \$369.4 million for the year ended 30 June 2021 (2020: \$84.7 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 Abacus' FFO of \$136.4 million (2020: \$124.6 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 2021

### 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.

|  | 2021           | 2020           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| <b>Consolidated statutory net profit after tax attributable to members of the Group</b>                                      | <b>369,409</b> | <b>84,727</b>  |
| <b>Adjust for:</b>   |                |                |
| Net change in fair value of investment properties and property, plant and equipment derecognised                             | (2,562)        | 115            |
| Net change in fair value of investment properties and property, plant and equipment held at balance date                     | (237,433)      | 41,175         |
| Net change in fair value of investments and financial instruments held at balance date                                       | (2,749)        | (3,629)        |
| Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments | (9,401)        | (1,152)        |
| Impairment reversal  | -              | (1,213)        |
| Depreciation on owner occupied property, plant and equipment   | 3,682          | 3,000          |
| Net change in fair value of derivatives  | 4,571          | 3,579          |
| Amortisation of rent abatement incentives  | 7,265          | 5,275          |
| Amortisation of other tenant incentives and finance costs  | 631            | 1,865          |
| Straightline of rental income  | (939)          | (3,867)        |
| Movement in lease liabilities  | (1,056)        | (725)          |
| Net tax (benefit) / expense on non-FFO Items   | 4,953          | (4,556)        |
| <b>Abacus funds from operations ("FFO")</b>  | <b>136,371</b> | <b>124,594</b> |
|  | <b>2021</b>    | <b>2020</b>    |
| Basic earnings per security (cents)  | 49.84          | 13.18          |
| Basic FFO per security (cents)   | 18.40          | 19.38          |
| Distribution per security (cents - including proposed distribution)  | 17.50          | 18.50          |
| Weighted average securities on issue (million)   | 741.1          | 643.0          |

During the year, Abacus continued to focus its investment capital on acquisitions across the commercial and self storage sectors in line with its capital allocation strategy as these sectors, in Abacus' view, represented the best risk adjusted returns over the investment period. This strategy is focused on growing the contribution to recurring earnings. In the year ended 30 June 2021, Abacus' net property income increased by 27.4% to \$164.6 million (2020: \$129.2 million).

Abacus continued to expand its commercial portfolio investment thematic that focuses on CBD and select fringe markets. During the year, Abacus acquired a further 8% interest in 201 Elizabeth Street, Sydney NSW for \$50.4 million and the remaining 60% interest in the Oasis JV Unit Trust to obtain full control of The Oasis at Broadbeach QLD for \$103.5 million. In June 2021, Abacus further exchanged contracts for the acquisition of a 33.3% interest in the Myer building in Melbourne VIC for \$135.2 million excluding transaction costs which settled in July 2021.

Abacus also expanded its self storage portfolio investment thematic with acquisitions sourced from on market as well as off market transactions via the Storage King relationship. During the year, Abacus acquired and committed to investments of \$291.6 million across the self storage sector which further cemented its standing as a high conviction investor in the self storage property market. The investment amount comprised of \$135.0 million of acquisitions across 15 properties in Australia and contracts or options exchanged for three properties for \$27.0 million. Further, in November 2020 Abacus acquired the remaining 75% interest in the self-storage management business of Storage King Corporate Holdings Pty Limited for \$50.6m for full control of the business. The balance of \$79.0 million was invested in National Storage REIT during the year.

## DIRECTORS' REPORT

30 June 2021

### 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 \$227.9m 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 operating metrics of the Group are:

|  | 2021    | 2020    |
|--|---------|---------|
| <b>Total assets (\$ million)</b>         | 4,058.6 | 3,342.0 |
| <b>Gearing<sup>^</sup> (%)</b>           | 22.5    | 26.5    |
| <b>Net assets* (\$ million)</b>          | 2,901.9 | 2,201.7 |
| <b>Net tangible assets* (\$ million)</b> | 2,810.9 | 2,171.2 |
| <b>NTA per security (\$)</b>             | 3.43    | 3.32    |

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

\* Excluding external non-controlling interests of \$Nil million (2020: \$5.0 million)

The increase in net assets of the Group by 31.8% reflects the increase in the value of the investment property portfolios and the capital raised during the year.

#### **Capital management**

In December 2020, Abacus completed a fully underwritten 1-for-4.8 accelerated non-renounceable pro rata entitlement offer to eligible securityholders to apply for new securities at \$2.90 per stapled security which raised \$402 million.

During these uncertain times caused by the COVID-19 pandemic, the Group remains well supported by its lenders. In August 2020, Abacus increased its banking facility limits by an additional \$246.6 million and in June 2021, Abacus successfully negotiated and agreed terms to extend \$1.2 billion of syndicated and bilateral banking facility tranches by a further 12 to 24 months. Facility pricing was further improved and below the Group's weighted average cost of debt.

The Group is well positioned to manage the challenges in the coming year with a strong defensive commercial office and self storage property portfolio. The Abacus balance sheet remains strong with gearing levels at 22.5%, well within the Board's target gearing limit of 35%.

It is anticipated that the weighted average cost of debt over the next year should be no greater than 2.0% as current capacity is utilised.



## DIRECTORS' REPORT

30 June 2021

### 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:

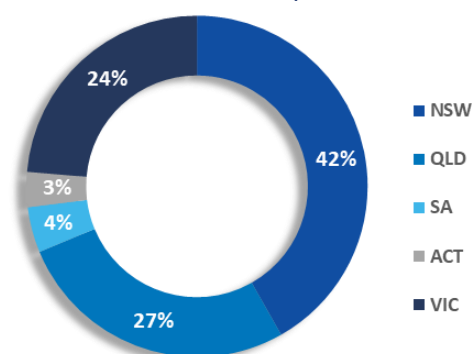
#### Property Investment

##### Commercial portfolio

Abacus' commercial portfolio delivered a segment result of a \$96.6 million profit for the year ended 30 June 2021 (2020: \$4.0 million loss). The loss in the prior period was mainly due to a fair value loss on the revaluation of investment properties of \$69.1 million whereas in the current year there was a fair value gain of \$9.6 million. The commercial portfolio consists of 29 assets (2020: 30 assets) and had a total value of \$2.0 billion at year end (2020: \$1.7 billion).

| Commercial            |                   |
|-----------------------|-------------------|
| Portfolio value       | \$2,034.7 million |
| No. of assets         | 29                |
| Occupancy (% by area) | 94.7%             |
| WALE (yrs by income)  | 4.3yrs            |
| WACR <sup>1</sup>     | 5.6%              |

#### Commercial Portfolio: \$2.0 billion



1. WACR: Weighted Average Capitalisation Rate

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

- The balance of the 8% interest in 201 Elizabeth Street, North Sydney NSW for \$50.4 million which settled in August 2020; and
- The remaining 60% interest in The Oasis in Broadbeach QLD for \$103.5 million which settled in April 2021.

Abacus divested two non-core small properties during the year.

As a result of changes in the portfolio from acquisitions and divestments and a mixed leasing environment across regions, the portfolio occupancy increased from 92.6% at 30 June 2020 to 94.7% at 30 June 2021. Like for like rental growth remained stable for the existing portfolio.

#### Impact of the COVID-19 pandemic

Further to the tenant engagement program implemented in March 2020, the Group continues to communicate with all tenants, particularly the tenants whose businesses have been severely impacted by the COVID-19 pandemic. In assessing requests for rental support, 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 over the medium term.

During the year ended 30 June 2021, the amount of rent concessions provided to tenants was \$2.8 million (2020: \$4.0 million) with 72% (2020: 61%) or \$2.0 million (2020: \$2.5 million) provided in the form of a rent waiver. The total amount of rent concessions provided to tenants since March 2020 to 30 June 2021 is \$6.8 million with 65% or \$4.5 million provided in the form of a rent waiver. The rent concessions represent 2% of rental income (2020: 14%) and \$1.7 million has been amortised in the year ended 30 June 2021 (2020: \$0.7 million), with the remaining rent waivers amortised over the life of the leases as lease incentives.

## DIRECTORS' REPORT

30 June 2021

### OPERATING AND FINANCIAL REVIEW (continued)

#### KEY SEGMENT RESULTS SUMMARY (continued)

The balance 28% (2020: 39%) 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 \$1.3 million of rebates from the state governments during the year (2020: \$0.7 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.

#### *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 2021 portfolio valuation process, 11 out of 25 of the commercial properties (excluding equity accounted properties) or 44% by number were independently valued during the year to 30 June 2021. 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. The majority of Abacus' offices:

- are well located in CBD or suburban locations with low and often below market average rent levels;
- have limited exposure to full floor or multi-floor tenants;
- have ample car parking spaces; and
- are 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. It is also accepted that the potential cost for a tenant (in financial and in effort terms) of relocating to an alternative location often outweighs the benefits of a cheaper building elsewhere.

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.

#### **Self storage portfolio**

Abacus' self storage portfolio delivered a segment result of \$315.3 million for the year ended 30 June 2021. This represents a 187.2% increase on FY20's result of \$109.8 million and can be mainly attributed to increases in self storage fair value gains. The self storage portfolio equated to \$1,430.2 million across 93 assets, an increase of 14 facilities during the period.

#### *Valuations*

As part of the 2021 valuation process, 44 self storage facilities out of 93 or 47% by number were independently valued during the year to 30 June 2021. The remaining facilities were subject to internal valuation and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$227.9 million (2020: \$27.9 million gain).

## DIRECTORS' REPORT

30 June 2021

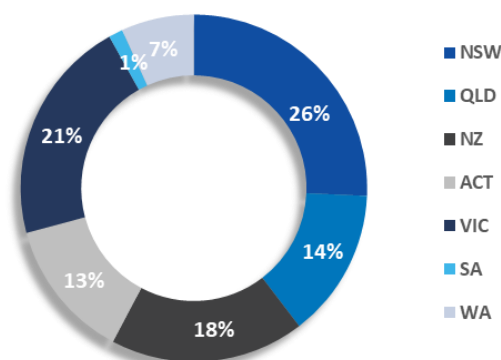
### OPERATING AND FINANCIAL REVIEW (continued)

#### KEY SEGMENT RESULTS SUMMARY (continued)

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

|                                    | Self Storage      |
|------------------------------------|-------------------|
| Portfolio value                    | \$1,755.7 million |
| No. of assets                      | 93                |
| Occupancy <sup>1</sup> (% by area) | 90.9%             |
| WACR <sup>1,2</sup>                | 5.7%              |
| RevPAM <sup>1,3</sup>              | \$264 psqm        |
| Average rate <sup>1,4</sup>        | \$290 psqm        |

#### Self Storage Portfolio: \$1.8 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 12 operating stores as well as 3 sites for development into a self storage facility that should begin to deliver returns to the portfolio in the next few years. Abacus remains committed to growing its presence in metropolitan areas. During the year, a self storage facility at Bullen VIC was compulsorily acquired via gazettal by the Victorian government notionally for \$15.7m in April 2021 with the final price to be negotiated.

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

Over the period, the established portfolio's occupancy increased from 88.3% to 90.9% and the average rental rate increased from \$281/m<sup>2</sup> to \$290/m<sup>2</sup>. This increased the portfolio's revenue per available metre (RevPAM) from \$248/m<sup>2</sup> to \$264/m<sup>2</sup>. RevPAM measures the profitability and efficiency of the portfolio.

The portfolio's development pipeline of non-self storage assets currently numbers 7 assets valued at \$63.5 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 reach established 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 acquired the remaining 75% interest in the self-storage management business of Storage King for full control of the business for \$50.6m. The Group was also able to increase the investment in National Storage REIT by \$79.0 million at very competitive pricing. This stake is intended to be held as a long term investment in one of the Group's key sectors.

#### Impact of the COVID-19 pandemic

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

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

#### Property Development

The Property Development business delivered a reduced segment result of \$0.9 million (2020: \$22.2 million) as the Group continues to wind down this part of the business. Abacus has total assets of \$116.0 million invested primarily across the Metropolitan Sydney area, most undergoing some process of local or state government rezoning. The timeframe to work through the rezoning of the various parcels of land is uncertain and complex.

## DIRECTORS' REPORT

30 June 2021

### OPERATING AND FINANCIAL REVIEW (continued)

#### FUTURE PROSPECTS AND RISKS

Abacus has continued 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 heavily upon continuing to increase its exposure to the commercial and self storage sectors. This strategy will target acquiring well-located properties that will be held for the longer 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. This liquidity can also potentially be further leveraged to invest in a larger number of projects through joint venture arrangements.

Provided the current management regimes of COVID-19 are maintained and future lockdowns are restricted to affected locations, recurring underlying earnings should continue to increase albeit at a reduced rate. Growth in revenue through further acquisitions will be driven or limited by 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 the commercial office sectors across different states, have the potential to increase volatility in rental revenue especially in this COVID-19 environment.

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

| Risk and opportunity  | How Abacus manages this risk  |
|---|---|
| <p><b>Strategic investment performance</b><br/>                     Prevailing economic conditions, changing capitalisation rates and/or failure to predict the market or invest in appropriate sectors can impact the value of the Group's assets and financial performance. Setting the appropriate strategic direction for the business will assist in mitigating against unfavourable business outcomes as a result of prevailing investment conditions.</p>                    | <p>Abacus has a number of approaches to manage this risk including:</p> <ul style="list-style-type: none"> <li>• Active Investment Committee which is governed by a charter</li> <li>• Regular Board reporting which includes stress testing</li> <li>• Due diligence processes</li> <li>• Performance evaluation processes</li> <li>• Analysis of macro-economic and property sector trends</li> <li>• Forecasting processes</li> <li>• Market conditions monitoring</li> <li>• Valuation process consistent with the valuation policy</li> </ul> <p>Abacus recognises that its strategic goals, objectives and business plans are key drivers in determining the overall appetite for risk and that it is not possible, or necessarily desirable, to eliminate every risk inherent in its business activities. There is also acceptance of some risks such as economic conditions and the regulatory environment which are not within its ability to control.</p> |
| <p><b>Operational controls</b><br/>                     The failure to achieve financial targets due to inadequate or failed internal processes, people or systems. Appropriate internal operational control allows Abacus to manage investment and key operational processes (leasing, tenant management, property and building management, management of service providers). Effective operational control results in appropriate management of future financial performance.</p> | <p>Abacus has several approaches to management of operational control including:</p> <ul style="list-style-type: none"> <li>• Appropriate human resourcing and experience</li> <li>• Active Investment Committee which is governed by a charter</li> <li>• Due diligence processes</li> <li>• Forecasting and budgeting processes</li> <li>• Credit control</li> <li>• Performance evaluation of external service providers</li> <li>• Insurance</li> <li>• Internal audit</li> </ul>   |

**DIRECTORS' REPORT**

30 June 2021

**OPERATING AND FINANCIAL REVIEW (continued)**

**FUTURE PROSPECTS AND RISKS (continued)**

| <b>Risk and opportunity</b>  | <b>How Abacus manages this risk</b>  |
|--|--|
| <p><b>Climate change</b><br/>Abacus may be exposed to unforeseen material environmental risk or the impact of climate change over time. Environmental and climate change related events have the potential to damage our assets, disrupt operations and impact the health and wellbeing of our stakeholders and communities.</p>   | <p>Abacus recognises in its Sustainability and Environmental Policy that integrating sustainability issues, including environment and climate change, into our investment decision making and business operations is congruent with the responsibility we have to our stakeholders and is critical to Abacus achieving its long-term goals. This includes our focus on energy efficiency upgrades, as well as solar photovoltaic installations across our portfolio and developing targets and strategies to enhance the environmental performance of our assets including energy and water efficiency, greenhouse gas emissions reduction and waste to landfill reduction.</p> <p>Abacus continues to develop the appropriate strategies to protect its properties and mitigate the risks of climate change.</p> <p>Environmental issues are incorporated into our decision-making process when acquiring properties and as part of the ongoing management of each property.</p> <p>Key environmental concerns are reported to the Investment Committee and the Board as part of the governance framework. Environmental risks associated with each property are monitored as part of the Group's asset management processes.</p> |
| <p><b>Capital markets and treasury risk</b><br/>Changing debt and equity market conditions can affect the Group's ability to obtain timely and appropriately priced capital which may prevent Abacus achieving its business and investment objectives.</p>   | <p>Abacus utilises capital and treasury risk management measures including:</p> <ul style="list-style-type: none"> <li>• Capital management processes to monitor, manage and stress test interest rate, funding, liquidity and credit risk with regular reporting to the Treasury Management Committee and the Board</li> <li>• Treasury policy and operational procedure documents</li> <li>• External treasury advisor</li> <li>• Effective relationships with a range of banks and access to alternate funders</li> </ul>   |
| <p><b>Health and safety</b><br/>Maintaining the health, safety and wellbeing of its people is of paramount importance to Abacus. The Group recognises the fundamental right of all workers and those affected by Abacus' operations to a safe and healthy environment. Abacus strives, through a process of continuous improvement, to integrate safety and health into all aspects of its activities.</p> | <p>Abacus aims to achieve and sustain zero harm in the workplace through the application of risk management principles, effective stakeholder engagement and continuously improving the Group's systems of work and organisational practice to empower all to work safely.</p> <p>Abacus focuses on maintaining a safety-aware culture and ensuring proper standards of workplace health and safety for its employees and other key stakeholders visiting or working at its properties.</p>  |
| <p><b>People and culture</b><br/>Attracting, engaging and retaining talented people is fundamental to delivering the Group's strategic objectives. Abacus has and is continuing to evolve a range of initiatives designed to ensure the most appropriate corporate culture and capabilities are in place to deliver on its strategic business objectives.</p>  | <p>The initiatives include:</p> <ul style="list-style-type: none"> <li>• A commitment to diversity and inclusion ensuring collective perspectives are valued</li> <li>• Recognising the benefits of creating an inclusive workplace</li> <li>• Encouraging flexible work practices that are supported by necessary systems and processes</li> <li>• Code of conduct and whistle-blower program</li> <li>• Performance appraisal and training programs</li> </ul>   |
| <p><b>Technology and cyber security</b><br/>Inadequate technology systems and controls could result in a loss of data which could impact the business and its reputation.</p>  | <p>Abacus has a technology governance framework in place which is designed to address privacy, network security, business continuity and incident response. The technology governance is designed to protect, manage and configure network devices and to detect and respond to network threats and to ensure a consistent and effective approach to management of security incidents.</p>   |

## DIRECTORS' REPORT

30 June 2021

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

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

Tenure: 10 years

**Steven Sewell** BSc Managing Director

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

Tenure: 3 years 2 months

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

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

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

Tenure: 1 year 9 months

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

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

Mark is a member of the People Performance Committee.

Tenure: appointed 1 July 2021

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

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

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

Tenure: 2 years 7 months

**Holly Kramer** BA (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 2021

### DIRECTORS AND SECRETARY (continued)

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

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

Tenure: 2 years 6 months

### Jingmin Qian CFA, BEc, MBA, FAICD

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

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

Tenure: 4 years

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

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

### 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 |          | Compliance & Sustainability Committee |          | Nomination Committee |          |
|-------------|----------|----------|------------------------|----------|------------------------------|----------|---------------------------------------|----------|----------------------|----------|
|             | Eligible | Attended | Eligible               | Attended | Eligible                     | Attended | Eligible                              | Attended | Eligible             | Attended |
|             |          |          |                        |          |                              |          |                                       |          |                      |          |
| M Salkinder | 11       | 11       | 4                      | 4        | 5                            | 5        | 4                                     | 4        | 1                    | 1        |
| S Sewell    | 11       | 11       | -                      | -        | -                            | -        | -                                     | -        | 1                    | 1        |
| T Alston    | 11       | 11       | 4                      | 4        | 5                            | 5        | -                                     | -        | 1                    | 1        |
| M Haberlin  | 11       | 11       | 4                      | 4        | 5                            | 5        | -                                     | -        | 1                    | 1        |
| H Kramer    | 11       | 11       | -                      | -        | 5                            | 5        | 4                                     | 4        | 1                    | 1        |
| J Qian      | 11       | 11       | 4                      | 4        | -                            | -        | 4                                     | 4        | 1                    | 1        |

### Indemnification and Insurance of Directors and Officers

The 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.

### 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 2021

### REMUNERATION REPORT (audited)

This Remuneration Report describes Abacus' remuneration arrangements for directors and executives in accordance with the requirements of the Corporations Act and Regulations. Key terms used in this report are defined in the glossary at Table 15.

### 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 FY21.

Abacus has, over the past three years, refocused its strategy to become a high conviction owner and manager of an investment portfolio concentrated in the Commercial and Self Storage sectors. This transition has required a significant reallocation of capital from legacy investments toward these two prioritised sectors, along with a considerable reinvestment in people, culture, processes, and systems. We believe that this strategy will result in more sustainable, reliable and appropriate risk-adjusted returns.

It is important to the Board that the executive remuneration framework is aligned to achievement of this strategic repositioning, which will be in the best interest of all stakeholders and underpin long term growth in securityholder value. This will require us to reward both short and long term delivery of strong business performance, while at the same time executing on a significant program of portfolio reconstruction and business transformation.

The primary objective of the Abacus remuneration framework is to align the incentives of management with the interests of securityholders. In doing so, we benchmark ourselves against comparable organisations to ensure that we are able to attract and retain the best talent. We strive to set a series of financial and non-financial targets that are appropriately ambitious in the context of our repositioning, and which drive the right long term behaviours. We are mindful that our framework may need to evolve as we make further progress with our transition, and we are continually monitoring market trends and context to ensure that we remain fit for purpose.

### FY21 performance

Abacus' Funds from Operation ("FFO") profit result exceeded target and the team has made significant progress during FY21 on delivery of our business priorities. Of note, were:

- accelerated the acquisition of the remaining 75% of Storage King's operating platform, attaining full ownership in November 2020;
- undertook strategic capital transactions, acquisitions and capital raising valued at \$1.4bn for Abacus and \$220m for third parties;
- maintained high levels of commercial occupancy above 90%;
- implemented new Information technology and core financial systems; and
- achieved high level of employee engagement and retention.

Per security performance was diluted by the capital raising in the last quarter of 2020 to take advantage of opportunities arising from 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 equal or exceed risk adjusted return requirements.



## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

#### FY21 remuneration

The fixed remuneration for Key Management Personnel (KMP) executives was adjusted during the year following a market review undertaken by the People Performance Committee. Based on the market review, which referenced executive remuneration for organisations in the S&P/ASX 200 A-REIT Index provided by an independent source, the fixed remuneration was increased by 16% for the Managing Director. No other changes were made to the remuneration framework for KMP executives in FY21.

The scorecard outcomes for the current variable component of executive remuneration reflected that KPI targets for the year were either achieved or exceeded, with 100% of the targeted award earned for the Managing Director and 99% of the targeted award earned for the Chief Financial Officer. The deferred variable component of the executive remuneration framework, which is awarded in the form of security acquisition rights, is expected to vest in September 2021 in the normal course of business.

There were no changes to Non-Executive Director fees for FY21.

#### FY22 remuneration

The Board is mindful that our remuneration framework needs to evolve as we make further progress with our transition, and we are continually monitoring market trends and context to ensure that our framework remains fit for purpose. To this end, the Board initiated an independent review of Abacus' variable incentive remuneration framework during FY21.

As a result of the independent review, the Deferred Variable Incentive Plan was found to no longer be fit for purpose under Abacus' strategy, and the Board has resolved to replace the short - term incentive plan and long-term incentive (LTI) plan in FY22. Vesting of the LTI will be subject to explicit and transparent performance requirements based on long-term growth in FFO earnings per security. Additionally, the Board will introduce deferral of a portion of short-term incentive outcomes for KMP executives from FY22. More details of the new arrangements will be provided in this year's notice of meeting.

Trent Alston

**Chair, People Performance Committee**

### Key Management Personnel

This report contains details of the remuneration of the following key management personnel (**KMP**)

*(i) Non-executive Directors*

|              |          |
|--------------|----------|
| M. Salkinder | Chair    |
| T. Alston    | Director |
| M. Haberlin  | Director |
| H. Kramer    | Director |
| J. Qian      | Director |

*(ii) Executive Director*

|           |                   |
|-----------|-------------------|
| S. Sewell | Managing Director |
|-----------|-------------------|

*(iii) Executives*

|                 |                         |
|-----------------|-------------------------|
| R. Baulderstone | Chief Financial Officer |
|-----------------|-------------------------|

## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

#### Board oversight of remuneration

##### *People Performance Committee*

The People Performance Committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors and executives. Further details about the Committee's membership and functions are contained in the Corporate Governance Report.

#### Abacus performance

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

**Table 1: 5 year performance**

|   | 2017   | 2018   | 2019   | 2020   | 2021   |
|---|--------|--------|--------|--------|--------|
| FFO (continuing operations) per security (cents)* | 17.22  | 13.79  | 11.59  | 13.34  | 16.21  |
| FFO (total earnings) per security (cents)*        | 27.38  | 29.39  | 22.28  | 19.38  | 18.40  |
| FFO profit  | 156.4m | 169.8m | 129.2m | 125.2m | 136.4m |
| Distributions paid and proposed (cents)           | 17.50  | 18.00  | 18.50  | 18.50  | 17.50  |
| Closing security price (30 June)                  | \$3.24 | \$3.77 | \$4.10 | \$2.68 | \$3.15 |
| Net tangible assets per security**                | \$2.93 | \$3.18 | \$3.33 | \$3.32 | \$3.43 |
| Weighted average securities on issue              | 571.2m | 577.8m | 580.0m | 643.0m | 741.1m |

\* FFO earnings are unaudited.

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

## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

#### Remuneration structure

The table below sets out the structure of Abacus' executive remuneration arrangements. Each element is discussed in further detail in the sections that follow.

**Table 2: Summary of Abacus' remuneration structure**

| Remuneration component  | Method   | Purpose  | Link to performance  |
|---|--|--|--|
| Fixed remuneration.   | Paid mainly as cash salary - comprises base salary, superannuation contributions and other non-monetary benefits (car parking and associated fringe benefits tax). | Set with reference to role, market, experience and skill-set.  | Indirect link to performance. Periodic increases are linked to market movements, changes in roles and responsibilities, and incumbent experience.  |
| Current variable component<br>(generally capped at 75% of fixed remuneration for the Managing Director and at 60% for other executives).  | Paid in cash in September.   | To drive performance against a range of financial and non-financial KPIs by end of financial year, including FFO profit.   | FFO is the financial gateway for a current variable award. Individual performance is then tested against KPIs, key effectiveness indicators and other internal financial and performance measures.   |
| Deferred variable component<br>(generally capped at 75% of fixed remuneration for the Managing Director and at 60% for other executives). | Awards are made in the form of security acquisition rights, with nil vesting in year 1 and one third vesting in the years 2 - 4.                                   | To reward executives for achieving sustainable FFO profit growth over the short to medium term and to reduce excessive risk taking associated with short term performance assessment models. | Directly linked to the increase in the Abacus security price over the vesting period, and the maintenance of distributions. Claw back of prior grants is considered if performance is not sustained. |

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

Accordingly, the Board considers it appropriate that for key management personnel the proportion of fixed to the potential target variable pay (the *remuneration ratio*) is 40:60 for the Managing Director and 45:55 for the CFO with half of the variable component generally allocated to current variable remuneration and the other half to deferred variable remuneration. There may be variations from the ratio based on personal performance, with any variations highlighted and justified on a case by case basis.

As a reference point, Abacus also reviews the published remuneration of the members of the S&P ASX 200 Index and the S&P/ASX 300 A-REIT Index. This information is used by the Committee for benchmarking purposes.

The People and Performance Committee engages external remuneration consultants from time to time to provide information to assist the Committee in making remuneration decisions. No remuneration recommendations as defined under the *Corporations Act 2001 (Cth)* were provided to the Committee by remuneration consultants in FY21.

#### Fixed remuneration

Abacus aims to set a fair base salary. Base salary is set by reference to each executive's position, performance and experience, and the Committee has regard to independent benchmarking information. The Committee has authority to engage independent advisers to assist it in its role. Whilst remuneration recommendations were not received, independent benchmarking was undertaken by a third party and data utilised. No external adviser provided any remuneration recommendations in relation to any member of the KMP during the year.

Fixed remuneration is benchmarked against data for the property industry as well as data from the stock market to determine an appropriate market-competitive level of pay. Stock market data covers listed companies of comparable size and, within that, A-REITs of comparable size.

**DIRECTORS' REPORT**

30 June 2021

**REMUNERATION REPORT (audited)**

**Current variable remuneration**

**Table 3: Summary of the Current Variable Incentive Plan**

| <b>What is current variable remuneration?</b>   | A cash incentive plan linked to specific annual targets.  |                            |  |  |                   |                  |   |     |                            |   |     |        |
|---|---|----------------------------|--|--|-------------------|------------------|---|-----|----------------------------|---|-----|--------|
| <b>What were the outcomes for executives this year?</b>   | For the 2021 financial year current variable remuneration awards of \$1,270,735 have been accrued for KMP and will be paid in September 2021.<br>The awards made to each executive and their achievements against the target potential payment are set out in table 6.  |                            |  |  |                   |                  |   |     |                            |   |     |        |
| <b>What is the purpose of current variable remuneration?</b>  | To link the achievement of Abacus' operational targets to the remuneration received by all the executives charged with meeting those targets. This is designed to encourage the executives to work as a team to achieve the FFO profit target range.  |                            |  |  |                   |                  |   |     |                            |   |     |        |
| <b>What are the performance conditions?</b>   | <p>For each financial year, the Board specifies an FFO profit target range. The lower end of the target range operates as a gateway that must be passed if current variable remuneration awards are to be generally payable. The profit target for the 2021 financial year was \$120.9m.</p> <p>If the gateway is passed, the value of the award for each executive is determined having regard to achievement against pre-determined key performance indicators or KPIs. The target levels of performance set by the Board are challenging, and 100% payments require a high level of consistent performance.</p> <p>The KPIs for the year ended 30 June 2021 are set out below:</p> <table border="1" data-bbox="507 1003 1447 1680"> <thead> <tr> <th rowspan="2">KPI and measure</th> <th colspan="2">Proportion of current variable remuneration award measure applies to</th> </tr> <tr> <th>Managing Director</th> <th>Other executives</th> </tr> </thead> <tbody> <tr> <td>                     Financial measure:                     <ul style="list-style-type: none"> <li>- Contribution to Abacus FFO profit</li> <li>- Contribution to sustainability of distribution</li> <li>- Contributions to projects expected to grow security value</li> </ul> </td> <td>60%</td> <td>20-80% (dependent on role)</td> </tr> <tr> <td>                     Non-financial measures:                     <ul style="list-style-type: none"> <li>- Transaction and project management</li> <li>- Key growth activities</li> <li>- Risk management</li> <li>- Other performance measures focused on achieving business imperatives</li> <li>- People, culture, and engagement</li> </ul> </td> <td>40%</td> <td>20-80%</td> </tr> </tbody> </table> <p>Account is also taken of qualitative indicators of effectiveness, performance, and behaviour.</p> | KPI and measure            | Proportion of current variable remuneration award measure applies to |  | Managing Director | Other executives | Financial measure: <ul style="list-style-type: none"> <li>- Contribution to Abacus FFO profit</li> <li>- Contribution to sustainability of distribution</li> <li>- Contributions to projects expected to grow security value</li> </ul> | 60% | 20-80% (dependent on role) | Non-financial measures: <ul style="list-style-type: none"> <li>- Transaction and project management</li> <li>- Key growth activities</li> <li>- Risk management</li> <li>- Other performance measures focused on achieving business imperatives</li> <li>- People, culture, and engagement</li> </ul> | 40% | 20-80% |
| KPI and measure   | Proportion of current variable remuneration award measure applies to  |                            |  |  |                   |                  |   |     |                            |   |     |        |
|   | Managing Director   | Other executives           |  |  |                   |                  |   |     |                            |   |     |        |
| Financial measure: <ul style="list-style-type: none"> <li>- Contribution to Abacus FFO profit</li> <li>- Contribution to sustainability of distribution</li> <li>- Contributions to projects expected to grow security value</li> </ul>   | 60%   | 20-80% (dependent on role) |  |  |                   |                  |   |     |                            |   |     |        |
| Non-financial measures: <ul style="list-style-type: none"> <li>- Transaction and project management</li> <li>- Key growth activities</li> <li>- Risk management</li> <li>- Other performance measures focused on achieving business imperatives</li> <li>- People, culture, and engagement</li> </ul> | 40%   | 20-80%                     |  |  |                   |                  |   |     |                            |   |     |        |
| <b>Why were these measures chosen?</b>  | <p>An FFO profit target range was chosen because, of several financial performance measures considered by the Board, FFO demonstrated the closest correlation to security-holder value creation (measured by total security-holder return). FFO profit reflects the statutory profit as adjusted in order to present a figure that 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 2021

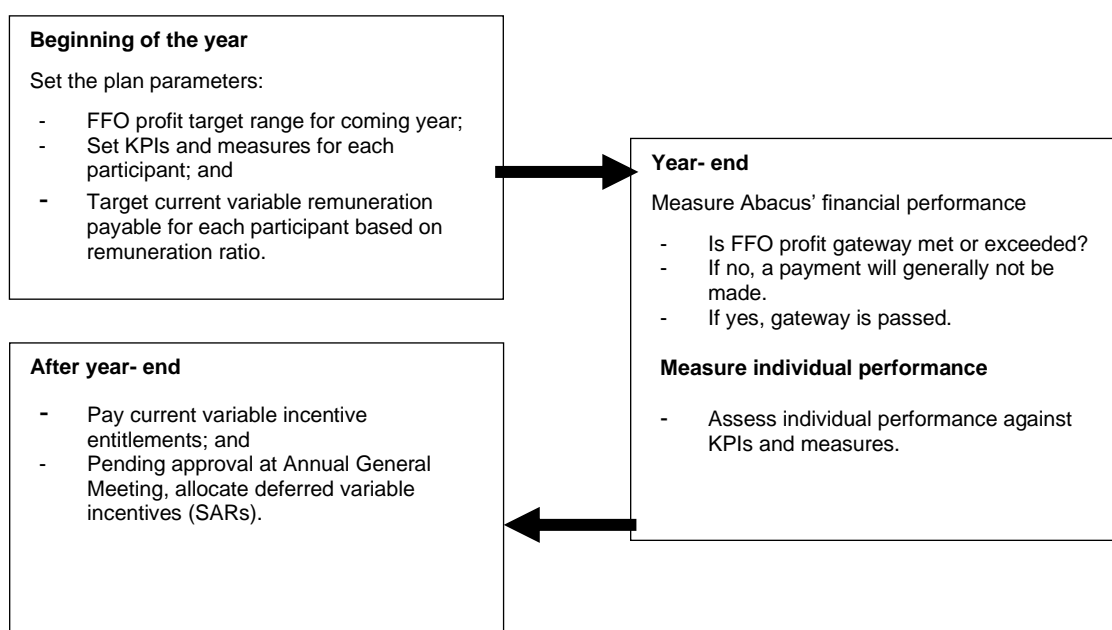
**REMUNERATION REPORT (audited)**

**Current variable remuneration (continued)**

|  |  |
|--|--|
| <b>How is the total current variable remuneration pool determined?</b>       | The current variable remuneration pool is linked directly to, and contingent on, the achievement of the FFO profit gateway for the assessment year.  |
| <b>How is performance assessed?</b>  | The People Performance Committee considers the performance of the executives 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 discretions does the Board have?</b>                                 | <p>If the FFO profit gateway is missed, the Board retains the discretion to make the current variable remuneration pool, or a reduced pool, generally available if it determines the circumstances warrant such action. If performance has been exceptionally strong the Board may increase the total pool size to provide additional current variable remuneration awards reflective of the above target performance.</p> <p>If the FFO profit gateway is missed, the Board also retains the discretion to pay current variable remuneration awards to selected individuals to reward them for their personal above target performance. When approving awards for individual executives, the Board has the discretion to consider each executive's total contribution to Abacus in addition to the specific KPIs selected for the relevant year.</p> <p>The Board will disclose the exercise of any of these discretions.</p> <p>No discretions have been exercised in respect of the reporting year.</p> |
| <b>What happens on cessation of employment?</b>                              | An executive will generally not be entitled to be paid a current variable remuneration award if they resign or if their employment is terminated with cause.   |
| <b>Were any changes made to the Current Variable Incentive Plan in FY21?</b> | No changes have been made to the Current Variable Incentive Plan.  |

**Table 4: Summary of the pooling and assessment process**

The process for determining an individual's current variable remuneration award is as follows:



## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

#### *Current variable remuneration outcome for the Managing Director*

The following table sets out the performance of the Managing Director against his KPI targets for the year ended 30 June 2021 (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 5: Managing Director's performance against KPIs**

| Category   | Weighting | Result          | Performance Detail   |
|--|-----------|-----------------|--|
| Financial performance – measured by FFO profit                         | 30%       | Target exceeded | Exceeded FFO, achieving \$136.4m which is 12.8% above target.  |
| Distribution Rate – measured by payment of the target amount           | 10%       | Target achieved | A DPS of 17.5 cents which was in line with the target rate.  |
| Occupancy rate, Commercial – measured by above target occupancy % rate | 10%       | Target achieved | Occupancy across commercial portfolio was achieved and maintained above 90%.   |
| Commercial – as measured by target acquisition metric.                 | 10%       | Target exceeded | Exceeded budgeted targeted acquisition metric of \$200m in commercial, including but not limited to acquisition of 8% of 201 Elizabeth Street, Sydney, 60% of the Oasis, Broadbeach and CHAB's acquisition of 241 Adelaide St, Brisbane.     |
| Self -Storage – as measured by target acquisition metric.              | 10%       | Target exceeded | Exceeded target via several initiatives including but not limited to acquisition of remaining 75% of Storage King operating platform; and in 2H21 enabling \$44.2m of self - storage acquisitions in key urban areas of Sydney and Adelaide. |
| Leadership and talent management                                       | 15%       | Target exceeded | Significant inroads made across FY21 with recruitment of external talent and identification and retention of key talent.   |
| Culture and engagement – measured by engagement survey results         | 15%       | Target achieved | Achieved 98% participation rate and engagement score of 83% which is a 3 point improvement on the engagement score from the FY18 Survey.   |

The scorecards for other executives are similar to that of the Managing Director, but with different weightings and with KPIs applicable to their individual roles.

The People Performance Committee and the Board reviewed these outcomes and the targets set against AREIT competitor performance and the property market overall. While the targets were set in a period of uncertainty 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.

#### *Current variable remuneration awards*

The following table sets out the awards made to each executive based on their performance during the year ended 30 June 2021.

**Table 6: Current variable awards**

| KMP                     | Fixed Salary | At Target \$ as per Plan | Current Variable Incentive Award | % of Target |
|-------------------------|--------------|--------------------------|----------------------------------|-------------|
| Managing Director       | \$1,250,000  | \$937,500                | \$937,500                        | 100%        |
| Chief Financial Officer | \$561,000    | \$336,600                | \$333,235                        | 99%         |

**DIRECTORS' REPORT**

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**REMUNERATION REPORT (audited)**

**Deferred variable remuneration**

**Table 7: Summary of the Deferred Variable Incentive Plan**

|   |   |
|---|---|
| <p><b>What is deferred variable incentive?</b></p>  | <p>A deferred variable incentive is delivered in the form of an annual grant of security acquisition right (SARs) under the deferred security acquisition rights plan (SARs Plan).</p> <p>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.</p> <p>Executives are entitled before any tranche of SARs vests, to extend the vesting date for that tranche by 12 months.</p>   |
| <p><b>What is the purpose of deferred variable incentives?</b></p>                                | <p>The objective of the Deferred Variable Incentive Plan is to reward executives for sustaining FFO profit that covers the distribution level implicit in the Abacus security price and for the sustainability of distributions over a four year period.</p> <p>The structure of the plan recognises that long-term value is the product of a string of sustained short-term outcomes and seeks to discourage volatile earnings and distributions. Reward is accordingly contingent on both current performance and the maintenance of that performance in succeeding years. The two are not considered independent, and the reward structure intentionally does not allow for separate short term and long term measures.</p>  |
| <p><b>How is the value of the deferred variable incentive determined?</b></p>                     | <p>A deferred variable incentive award is available to an executive who satisfies the KPIs outlined in the current variable remuneration section.</p> <p>As a starting point, the deferred variable incentive award for a financial year will match the value of the current variable incentive award paid for that year.</p> <p>The matching allocations may then be adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable remuneration awards. Adjustments may be needed, for example, to take into account exceptional individual performance, the potential of an executive, or their future employment plans and aspirations.</p> <p>Once the grant value is determined by the Board, the number of SARs to be awarded is calculated based on the face value of Abacus' securities. The face value is calculated using a 10 day volume weighted average price (VWAP) for the period commencing on the second trading day after the full year results announcement.</p> <p>SARs are granted for nil consideration.</p> |
| <p><b>Can deferred variable incentives be forfeited?</b></p>                                      | <p>Deferred variable incentives will usually be forfeited if an executive resigns or is summarily dismissed prior to the vesting date (see the 'Cessation of employment section' below for more detail).</p> <p>The Board has the discretion to forfeit unvested SARs tranches of an allocation of SARs if ABP distributions fall by more than the annualised distribution rate per ABP security set at the time of the relevant allocation. The rate set for the reporting year was 17.5 cents. No forfeitures of SARs for unsustainable performance occurred in the reporting period.</p> <p>Further, if the Board determines that an executive is responsible for misconduct resulting in material non-compliance with financial reporting requirements or for excessive risk taking, the executive will forfeit all unvested SARs entitlements.</p>   |
| <p><b>Do executives receive distributions on their unvested deferred variable incentives?</b></p> | <p>No. However, to achieve a closer alignment of the interests of securityholders and senior executives, when a tranche of SARs vests, the holder will receive an additional number of ABP securities equivalent in value to the distributions the executive would have received over the vesting period if their SARs had been ABP securities.</p>   |
| <p><b>What discretions does the Board have?</b></p>   | <p>The Board has the discretion to award SARs in excess of the deferred variable incentive cap in the case of exceptional performance.</p> <p>The Board will disclose the exercise of any of these discretions.</p> <p>No discretions have been exercised in respect of the reporting year.</p>   |

## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

#### *Deferred variable remuneration (continued)*

|   |  |
|---|--|
| <p><b>What happens on cessation of employment?</b></p>                              | <p>To receive the deferred remuneration award the executive must remain employed by Abacus, unless they are considered a good leaver (that is, through disability, termination without cause, genuine retirement, death, or some other circumstance considered acceptable by the Board in its discretion).</p> |
| <p><b>What is the vesting schedule of the Deferred Variable Incentive Plan?</b></p> | <p>The SARs allocated to an executive for a financial year vests across 4 years, with nil vesting in the first year and one third vesting in each of the second, third and fourth years on the anniversaries of the allocation date.</p> <p>SARs are exercised automatically upon vesting.</p>                 |

Further details about deferred variable incentive grants are set out in tables 10 to 13 and the terms of prior year grants are set out in earlier remuneration reports.

#### ***Employment contracts and termination entitlements***

The Managing Director, Mr Sewell, is employed under a contract dated 15 February 2018 and may be terminated by either party giving 9 months written notice or in the case of Abacus by providing payment in lieu of notice.

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'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. Deferred variable remuneration allocations vest according to the SARs Plan rules.



## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

#### Non-executive director remuneration

##### **Objective**

The Committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors 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.

##### **Structure**

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. (This is a limit on non-executive directors' total fees. The actual fees paid to non-executive directors are in Table 8).

The aggregate remuneration limit and the fee structure are reviewed annually and fees were last increased in July 2017.

The basis of non-executive director fees has remained unchanged from 2020.

Fees payable, inclusive of superannuation, to non-executive directors are as follows:

**Table 8: Non-Executive Director fee levels**

| <b>Board/Committee</b>                  | <b>Role</b> | <b>Fee</b> |
|---|-------------|------------|
| Board                                   | Chair*      | \$232,050  |
| Board                                   | Member      | \$105,000  |
| Audit and Risk Committee                | Chair       | \$27,300   |
| Audit and Risk Committee                | Member      | \$10,500   |
| Compliance and Sustainability Committee | Chair       | \$14,700   |
| Compliance and Sustainability Committee | Member      | \$10,500   |
| People Performance Committee            | Chair       | \$15,750   |
| People Performance Committee            | Member      | \$10,500   |

\* The Chair does not receive any committee membership fees.

The non-executive directors do not receive retirement benefits. Nor do they participate in any incentive programs.

**DIRECTORS' REPORT**

30 June 2021

**REMUNERATION REPORT (audited)**

**Table 9: Remuneration of Key Management Personnel**

| 2021                                     | Short-term benefits |                            |                       | Total cash payments and short term benefits | Post employment Superannuation | Long-term benefits Long service leave* | Security-based payment Security acquisition rights (SARs)* | Total            | Performance related |
|--|---------------------|----------------------------|-----------------------|---|--------------------------------|--|--|------------------|---------------------|
|  | Salary & fees       | Current variable incentive | Non-monetary benefits |   |                                |  |  |                  |                     |
|  | \$                  | \$                         | \$                    | \$  | \$                             | \$                                     | \$   | \$               | %                   |
| <b>Non-executive directors</b>           |                     |                            |                       |   |                                |  |  |                  |                     |
| M Salkinder - Chair                      | 211,048             | -                          | -                     | <b>211,048</b>                              | 21,002                         | -                                      | -  | <b>232,050</b>   | -                   |
| T Alston                                 | 119,863             | -                          | -                     | <b>119,863</b>                              | 11,387                         | -                                      | -  | <b>131,250</b>   | -                   |
| M Haberlin                               | 130,411             | -                          | -                     | <b>130,411</b>                              | 12,389                         | -                                      | -  | <b>142,800</b>   | -                   |
| H Kramer                                 | 123,267             | -                          | -                     | <b>123,267</b>                              | 2,733                          | -                                      | -  | <b>126,000</b>   | -                   |
| J Qian                                   | 118,904             | -                          | -                     | <b>118,904</b>                              | 11,296                         | -                                      | -  | <b>130,200</b>   | -                   |
| <b>Sub-total non-executive directors</b> | <b>703,493</b>      | -                          | -                     | <b>703,493</b>                              | <b>58,807</b>                  | -                                      | -  | <b>762,300</b>   |                     |
| <b>Executive Directors</b>               |                     |                            |                       |   |                                |  |  |                  |                     |
| S Sewell - Managing Director             | 1,228,306           | 937,500                    | 5,560                 | <b>2,171,366</b>                            | 21,694                         | 28,491                                 | 517,093  | <b>2,738,644</b> | 53%                 |
| <b>Other key management personnel</b>    |                     |                            |                       |   |                                |  |  |                  |                     |
| R Baulderstone - Chief Financial Officer | 536,000             | 333,235                    | 3,430                 | <b>872,665</b>                              | 25,000                         | 8,851                                  | 227,927  | <b>1,134,443</b> | 49%                 |
| <b>Sub-total executive KMP</b>           | <b>1,764,306</b>    | <b>1,270,735</b>           | <b>8,990</b>          | <b>3,044,031</b>                            | <b>46,694</b>                  | <b>37,342</b>                          | <b>745,020</b>   | <b>3,873,087</b> |                     |
| <b>Total</b>                             | <b>2,467,799</b>    | <b>1,270,735</b>           | <b>8,990</b>          | <b>3,747,524</b>                            | <b>105,501</b>                 | <b>37,342</b>                          | <b>745,020</b>   | <b>4,635,387</b> |                     |

\* Accrued not presently entitled

**DIRECTORS' REPORT**

30 June 2021

**REMUNERATION REPORT (audited)**

**Table 9: Remuneration of Key Management Personnel**

| 2020                                     | Short-term benefits |                            |                       | Post employment<br>Superannuation | Long-term benefits<br>Long service leave* | Security-based payment<br>Security acquisition rights (SARs)* | Total            | Performance related |
|--|---------------------|----------------------------|-----------------------|-----------------------------------|---|---|------------------|---------------------|
|  | Salary & fees       | Current variable incentive | Non-monetary benefits |                                   |   |   |                  |                     |
|  | \$                  | \$                         | \$                    | \$                                | \$  | \$  | \$               | %                   |
| <b>Non-executive directors</b>           |                     |                            |                       |                                   |   |   |                  |                     |
| M Salkinder - Chair #                    | 195,050             | -                          | -                     | <b>195,050</b>                    | 19,165                                    | -   | <b>214,215</b>   | -                   |
| T Alston ##                              | 89,352              | -                          | -                     | <b>89,352</b>                     | 8,488                                     | -   | <b>97,840</b>    | -                   |
| M Haberlin                               | 127,457             | -                          | -                     | <b>127,457</b>                    | 12,108                                    | -   | <b>139,565</b>   | -                   |
| H Kramer                                 | 122,603             | -                          | -                     | <b>122,603</b>                    | 5,412                                     | -   | <b>128,015</b>   | -                   |
| J Qian                                   | 118,904             | -                          | -                     | <b>118,904</b>                    | 11,295                                    | -   | <b>130,199</b>   | -                   |
| J Thame ###                              | 35,333              | -                          | -                     | <b>35,333</b>                     | 3,356                                     | -   | <b>38,689</b>    | -                   |
| <b>Sub-total non-executive directors</b> | <b>688,699</b>      | -                          | -                     | <b>688,699</b>                    | <b>59,824</b>                             | -   | <b>748,523</b>   |                     |
| <b>Executive Directors</b>               |                     |                            |                       |                                   |   |   |                  |                     |
| S Sewell - Managing Director             | 1,049,997           | 787,185                    | 6,898                 | <b>1,844,080</b>                  | 21,003                                    | 47,958  | <b>2,229,638</b> | 50%                 |
| <b>Other key management personnel</b>    |                     |                            |                       |                                   |   |   |                  |                     |
| R Baulderstone - Chief Financial Officer | 536,000             | 329,868                    | -                     | <b>865,868</b>                    | 25,000                                    | 10,924  | <b>1,077,709</b> | 47%                 |
| <b>Sub-total executive KMP</b>           | <b>1,585,997</b>    | <b>1,117,053</b>           | <b>6,898</b>          | <b>2,709,948</b>                  | <b>46,003</b>                             | <b>58,882</b>   | <b>3,307,347</b> |                     |
| <b>Total</b>                             | <b>2,274,696</b>    | <b>1,117,053</b>           | <b>6,898</b>          | <b>3,398,647</b>                  | <b>105,827</b>                            | <b>58,882</b>   | <b>4,055,870</b> |                     |

\* Accrued but not presently entitled

# Appointed as Chair on 30 August 2019

## Appointed on 18 September 2019

### Retired on 30 August 2019

**DIRECTORS' REPORT**

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**REMUNERATION REPORT (audited)**

**Table 10: Grants under the Deferred Security Acquisition Rights Plan**

The table below discloses the SARs granted to key management personnel as well as the number of SARs that vested or lapsed during the year.

|                   | Year | Grant date | SARs granted | Fair value per right at grant date | Vesting date       | No. vested during the year | No. lapsed during the year |
|-------------------|------|------------|--------------|------------------------------------|--------------------|----------------------------|----------------------------|
| <b>Director</b>   |      |            |              |                                    |                    |                            |                            |
| S Sewell          | 2021 | 17/11/2020 | 290,475      | \$2.796                            | 13/09/2022 to 2024 | -                          | -                          |
|                   | 2019 | 15/11/2018 |              |                                    | 13/09/2020         | 41,499                     |                            |
| <b>Executives</b> |      |            |              |                                    |                    |                            |                            |
| R Baulderstone    | 2021 | 17/11/2020 | 121,725      | \$2.796                            | 13/09/2022 to 2024 | -                          | -                          |
|                   | 2019 | 15/11/2018 |              |                                    | 13/09/2020         | 17,888                     |                            |
|                   | 2018 | 14/11/2017 |              |                                    | 13/09/2020         | 12,217                     | -                          |
|                   | 2017 | 14/11/2016 |              |                                    | 13/09/2020         | 14,391                     | -                          |

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

|                | Value of SARs granted during the year | Value of SARs exercised during the year | Value of SARs lapsed during the year |
|----------------|---------------------------------------|---|--------------------------------------|
|                | \$                                    | \$                                      | \$                                   |
| S Sewell       | 812,059                               | 129,426                                 | -                                    |
| R Baulderstone | 340,297                               | 146,468                                 | -                                    |

Refer to Note 20 for details on the valuation the SARs, including models and assumptions used. See Table 7 for criteria for the SARs to vest.

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

## DIRECTORS' REPORT

30 June 2021

### REMUNERATION REPORT (audited)

**Table 12: Securities acquired on exercise of options**

|                | Securities<br>acquired<br>No. | Paid per<br>security<br>\$ |
|----------------|-------------------------------|----------------------------|
| S Sewell       | 46,281                        | 2.79                       |
| R Boulderstone | 52,374                        | 2.79                       |

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**

|                   | Balance<br>1 July 2020 | Granted as<br>remuneration | SARs<br>exercised | Balance<br>30 June 2021 |
|-------------------|------------------------|----------------------------|-------------------|-------------------------|
| <b>Director</b>   |                        |                            |                   |                         |
| S Sewell          | 302,163                | 290,475                    | (41,499)          | 551,139                 |
| <b>Executives</b> |                        |                            |                   |                         |
| R Boulderstone    | 162,287                | 121,725                    | (44,496)          | 239,516                 |
| <b>Total</b>      | <b>464,450</b>         | <b>412,200</b>             | <b>(85,995)</b>   | <b>790,655</b>          |

**Table 14: Security holdings of key management personnel**

|                   | Balance<br>1 July 2020 | Vesting of<br>SARs | Purchases      | Balance<br>30 June 2021 |
|-------------------|------------------------|--------------------|----------------|-------------------------|
| <b>Directors</b>  |                        |                    |                |                         |
| M Salkinder       | 165,800                | -                  | 32,125         | 197,925                 |
| S Sewell          | 120,235                | 46,281             | 67,240         | 233,756                 |
| T Alston          | 30,000                 | -                  | 6,250          | 36,250                  |
| M Haberlin        | 35,000                 | -                  | 7,292          | 42,292                  |
| H Kramer          | 20,081                 | -                  | 5,008          | 25,089                  |
| J Qian            | 20,000                 | -                  | 4,167          | 24,167                  |
| <b>Executives</b> |                        |                    |                |                         |
| R Boulderstone    | 386,717                | 52,374             | 34,482         | 473,573                 |
| <b>Total</b>      | <b>612,033</b>         | <b>98,655</b>      | <b>124,439</b> | <b>835,127</b>          |

All equity transactions with key management personnel 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 2021.

#### Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2021 or in the prior year.

**DIRECTORS' REPORT**

30 June 2021

**REMUNERATION REPORT (audited)**

**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.

**Table 15: Glossary of terms used in the Remuneration Report**

| <b>Term</b>                          | <b>Definition</b>  |
|--------------------------------------|--|
| Allocation date for an award of SARS | the first business day after a period of 10 trading days on ASX starting from the second trading day after the full year results announcement for Abacus for the previous financial year has elapsed.  |
| Executives                           | the Managing Director and the other senior executives of Abacus who are members of the KMP.  |
| Key Management Personnel or KMP      | those executives who for the purposes of the accounting standards are considered to have authority and responsibility for planning, directing, and controlling the major activities of Abacus, and includes the directors.   |
| Security acquisition rights or SARs  | SARs are awarded under the deferred security acquisition rights plan. If a SAR vests, it will convert into ABP security on a one for one basis or (exceptionally, subject to the discretion of the Board where an executive already has a significant holding of ABP securities) a cash amount equal to the face value of an ABP security at around the time of vesting. |

**DIRECTORS' REPORT**

30 June 2021

**EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the financial year end:

- The divestment of a 50% interest in Abacus 710 Collins Street Trust which owns the office building at 710 Collins Street Melbourne VIC was completed for \$55.9 million.
- The acquisition of a 1/3<sup>rd</sup> interest in the property known as "Myer Melbourne", 314-336 Bourke Street, Melbourne VIC was completed for \$135.2 million excluding transaction costs.
- The acquisition of a portfolio of five self storage assets managed by Storage King, being three mature facilities located in Chatswood, Artarmon and St Leonards, one facility in the later stage of stabilisation located in Dee Why, and one recently developed facility located in Pymble was completed for \$160.0 million excluding transaction costs.
- Abacus increased its banking facility limits by an additional \$500.0 million. Facility pricing is unchanged.
- An additional distribution of 0.50 cents per security for the half period ended 30 June 2021 is declared on 18 August 2021. The provision for the additional distribution has not been recognised in the statement of financial position at 30 June 2021 as the additional distribution is declared subsequent to the financial year end.

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.

**AUDITORS INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 29.

**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, 18 August 2021



Steven Sewell  
Managing Director



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**Building a better  
working world**

## **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 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Anthony Ewan'.

Anthony Ewan  
Partner  
18 August 2021



**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 30 JUNE 2021**

|  | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|--|-------|----------------|----------------|
| <b>REVENUE</b>   |       |                |                |
| Rental income  |       | 226,344        | 195,029        |
| Finance income   | 1(a)  | 15,145         | 46,818         |
| Management and other fee income  |       | 13,155         | 4,997          |
| Sale of inventory  |       | 2,944          | 15,418         |
| <b>Total Revenue</b>   |       | <b>257,588</b> | <b>262,262</b> |
| <b>OTHER INCOME</b>  |       |                |                |
| Net change in fair value of investment properties and property, plant and equipment derecognised |       | 2,562          | (115)          |
| Net change in fair value of investments and financial instruments derecognised                   |       | 3,477          | 4,871          |
| Net change in fair value of investment properties held at balance date                           |       | 237,433        | (41,175)       |
| Net change in fair value of investments held at balance date                                     | 1(b)  | 2,749          | 3,629          |
| Share of profit from equity accounted investments  | 8(a)  | 16,861         | 10,827         |
| Impairment reversal / (charges)  |       | 3,636          | (5,060)        |
| Other income   |       | 8,243          | 2,710          |
| <b>Total Revenue and Other Income</b>  |       | <b>532,549</b> | <b>237,949</b> |
| Property expenses and outgoings  |       | (61,702)       | (65,917)       |
| Depreciation and amortisation expenses   | 3(a)  | (7,906)        | (5,165)        |
| Cost of inventory sales  |       | (2,709)        | (12,329)       |
| Net change in fair value of derivatives  |       | (4,571)        | (3,579)        |
| Finance costs  | 3(b)  | (23,279)       | (22,965)       |
| Administrative and other expenses  | 3(c)  | (47,150)       | (25,889)       |
| <b>PROFIT BEFORE TAX</b>   |       | <b>385,232</b> | <b>102,105</b> |
| Income tax expense   | 4(a)  | (15,611)       | (17,081)       |
| <b>NET PROFIT AFTER TAX</b>  |       | <b>369,621</b> | <b>85,024</b>  |
| <b>PROFIT / (LOSS) ATTRIBUTABLE TO:</b>  |       |                |                |
| Equity holders of the parent entity (AGHL)   |       | (22,311)       | (4,035)        |
| <i>Equity holders of other stapled entities</i>  |       |                |                |
| AT members   |       | 71,082         | (4,867)        |
| AGPL members   |       | 22,952         | 892            |
| AIT members  |       | 10,814         | 3,218          |
| ASPT members   |       | 205,705        | 37,404         |
| ASOL members   |       | 81,167         | 52,115         |
| <b>Stapled security holders</b>  |       | <b>369,409</b> | <b>84,727</b>  |
| Net profit attributable to external non-controlling interests                                    |       | 212            | 297            |
| <b>NET PROFIT</b>  |       | <b>369,621</b> | <b>85,024</b>  |
| <b>Basic and diluted earnings per stapled security (cents)</b>                                   | 2     | 49.84          | 13.18          |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 30 JUNE 2021**

|   | 2021           | 2020          |
|---|----------------|---------------|
|   | \$'000         | \$'000        |
| <b>NET PROFIT AFTER TAX</b>   | 369,621        | 85,024        |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                |               |
| <i>Items that may be reclassified subsequently to the income statement</i>                                  |                |               |
| Foreign exchange translation adjustments, net of tax  | (1,008)        | (1,991)       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  | <b>368,613</b> | <b>83,033</b> |
| <b>Total comprehensive income attributable to:</b>  |                |               |
| Members of the APG Group  | 368,401        | 82,736        |
| External non-controlling interests  | 212            | 297           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  | <b>368,613</b> | <b>83,033</b> |
| <b>Total comprehensive income attributable to members of the Group analysed by amounts attributable to:</b> |                |               |
| AGHL members  | (22,311)       | (4,035)       |
| AT members  | 71,082         | (4,867)       |
| AGPL members  | 22,952         | 892           |
| AIT members   | 10,814         | 3,218         |
| ASPT members  | 204,808        | 35,498        |
| ASOL members  | 81,056         | 52,030        |
| <b>TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP</b>                            | <b>368,401</b> | <b>82,736</b> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

|                                       | Notes | 2021<br>\$'000   | 2020<br>\$'000   |
|---------------------------------------|-------|------------------|------------------|
| <b>CURRENT ASSETS</b>                 |       |                  |                  |
| Investment properties held for sale   | 5     | 161,571          | -                |
| Inventory                             | 6(a)  | -                | 2,241            |
| Property loans                        | 7(a)  | 20,716           | 73,163           |
| Cash and cash equivalents             | 9     | 57,992           | 127,313          |
| Trade and other receivables           |       | 33,653           | 39,427           |
| Other                                 |       | 4,685            | 3,695            |
| <b>TOTAL CURRENT ASSETS</b>           |       | <b>278,617</b>   | <b>245,839</b>   |
| <b>NON-CURRENT ASSETS</b>             |       |                  |                  |
| Investment properties                 | 5     | 3,188,371        | 2,652,916        |
| Inventory                             | 6(b)  | 48,064           | 45,763           |
| Property loans                        | 7(b)  | 47,230           | 63,221           |
| Equity accounted investments          | 8     | 110,414          | 123,429          |
| Deferred tax assets                   | 4(c)  | 22,434           | 18,512           |
| Property, plant and equipment         | 16    | 21,664           | 18,429           |
| Other financial assets                | 7(c)  | 234,485          | 141,508          |
| Intangible assets and goodwill        | 21    | 106,312          | 32,394           |
| Derivatives at fair value             |       | 673              | 25               |
| Other                                 |       | 793              | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>       |       | <b>3,780,440</b> | <b>3,096,197</b> |
| <b>TOTAL ASSETS</b>                   |       | <b>4,059,057</b> | <b>3,342,036</b> |
| <b>CURRENT LIABILITIES</b>            |       |                  |                  |
| Trade and other payables              |       | 112,135          | 80,990           |
| Derivatives at fair value             |       | 678              | 123              |
| Income tax payable                    |       | 4,788            | 11,581           |
| Other                                 |       | 6,581            | 4,642            |
| <b>TOTAL CURRENT LIABILITIES</b>      |       | <b>124,182</b>   | <b>97,336</b>    |
| <b>NON-CURRENT LIABILITIES</b>        |       |                  |                  |
| Interest-bearing loans and borrowings | 11    | 988,525          | 1,009,760        |
| Derivatives at fair value             |       | 280              | 1,543            |
| Deferred tax liabilities              | 4(c)  | 37,727           | 20,347           |
| Other                                 |       | 6,464            | 6,336            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |       | <b>1,032,996</b> | <b>1,037,986</b> |
| <b>TOTAL LIABILITIES</b>              |       | <b>1,157,178</b> | <b>1,135,322</b> |
| <b>NET ASSETS</b>                     |       | <b>2,901,879</b> | <b>2,206,714</b> |

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

AS AT 30 JUNE 2021

|  | Notes | 2021<br>\$'000   | 2020<br>\$'000   |
|--|-------|------------------|------------------|
| <b>Equity attributable to members of AGHL:</b>                         |       |                  |                  |
| Contributed equity   |       | 519,663          | 411,422          |
| Reserves   |       | 2,705            | 2,336            |
| Retained earnings  |       | 153,686          | 175,997          |
| <b>Total equity attributable to members of AGHL:</b>                   |       | <b>676,054</b>   | <b>589,755</b>   |
| <b>Equity attributable to unitholders of AT:</b>                       |       |                  |                  |
| Contributed equity   |       | 1,285,378        | 1,079,576        |
| Accumulated losses   |       | (186,555)        | (171,628)        |
| <b>Total equity attributable to unitholders of AT:</b>                 |       | <b>1,098,823</b> | <b>907,948</b>   |
| <b>Equity attributable to members of AGPL:</b>                         |       |                  |                  |
| Contributed equity   |       | 41,425           | 32,910           |
| Retained earnings  |       | 44,748           | 21,796           |
| <b>Total equity attributable to members of AGPL:</b>                   |       | <b>86,173</b>    | <b>54,706</b>    |
| <b>Equity attributable to unitholders of AIT:</b>                      |       |                  |                  |
| Contributed equity   |       | 175,994          | 148,013          |
| Accumulated losses   |       | (101,726)        | (92,837)         |
| <b>Total equity attributable to unitholders of AIT:</b>                |       | <b>74,268</b>    | <b>55,176</b>    |
| <b>Equity attributable to members of ASPT:</b>                         |       |                  |                  |
| Contributed equity   |       | 266,230          | 172,891          |
| Reserves   |       | (21)             | 876              |
| Retained earnings  |       | 232,320          | 59,564           |
| <b>Total equity attributable to members of ASPT:</b>                   |       | <b>498,529</b>   | <b>233,331</b>   |
| <b>Equity attributable to members of ASOL:</b>                         |       |                  |                  |
| Contributed equity   |       | 61,101           | 34,953           |
| Reserves   |       | (53)             | 58               |
| Retained earnings  |       | 406,984          | 325,817          |
| <b>Total equity attributable to members of ASOL:</b>                   |       | <b>468,032</b>   | <b>360,828</b>   |
| <b>Equity attributable to external non-controlling interest:</b>       |       |                  |                  |
| Contributed equity   |       | -                | 16,445           |
| Accumulated losses   |       | -                | (11,475)         |
| <b>Total equity attributable to external non-controlling interest:</b> |       | <b>-</b>         | <b>4,970</b>     |
| <b>TOTAL EQUITY</b>  |       | <b>2,901,879</b> | <b>2,206,714</b> |
| Contributed equity   | 13    | 2,349,791        | 1,879,765        |
| Reserves   |       | 2,631            | 3,270            |
| Retained earnings  |       | 549,457          | 318,709          |
| Total stapled security holders' interest in equity                     |       | 2,901,879        | 2,201,744        |
| Total external non-controlling interest                                |       | -                | 4,970            |
| <b>TOTAL EQUITY</b>  |       | <b>2,901,879</b> | <b>2,206,714</b> |

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

|   | Notes    | 2021<br>\$'000   | 2020<br>\$'000   |
|---|----------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |          |                  |                  |
| Income receipts   |          | 276,139          | 324,082          |
| Interest received   |          | 81               | 812              |
| Distributions received  |          | 5,916            | 1,444            |
| Income tax paid   |          | (18,628)         | (9,159)          |
| Finance costs paid  |          | (24,221)         | (18,776)         |
| Operating payments  |          | (105,213)        | (89,725)         |
| Payments for inventory costs                                      |          | (2,473)          | (3,282)          |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                   | <b>9</b> | <b>131,601</b>   | <b>205,396</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |          |                  |                  |
| Payments for investments and funds advanced                       |          | (256,864)        | (144,037)        |
| Proceeds from sale and settlement of investments and funds repaid |          | 71,518           | 207,290          |
| Purchase of property, plant and equipment                         |          | (6,823)          | (7,794)          |
| Disposal of property, plant and equipment                         |          | 5                | -                |
| Purchase of investment properties                                 |          | (291,983)        | (699,026)        |
| Disposal of investment properties                                 |          | 18,879           | 64,897           |
| Acquisition of subsidiary, net of cash acquired                   | 22       | (46,395)         | -                |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>                |          | <b>(511,663)</b> | <b>(578,670)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |          |                  |                  |
| Proceeds from issue of stapled securities                         |          | 402,208          | 254,313          |
| Payment of issue / finance costs                                  |          | (7,551)          | (6,457)          |
| Payment of principal portion of lease liabilities                 |          | (1,316)          | (1,280)          |
| Repayment of borrowings   |          | (219,600)        | (27,364)         |
| Proceeds from borrowings  |          | 198,438          | 285,084          |
| Distributions paid  |          | (61,420)         | (92,785)         |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |          | <b>310,759</b>   | <b>411,511</b>   |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>     |          | <b>(69,303)</b>  | <b>38,237</b>    |
| Net foreign exchange differences                                  |          | (18)             | 48               |
| Cash and cash equivalents at beginning of year                    |          | 127,313          | 89,028           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                   | <b>9</b> | <b>57,992</b>    | <b>127,313</b>   |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2021**

|  | Attributable to the stapled security holder |  |  |                                | External                                  | Total<br>Equity<br>\$'000 |
|--|---|--|--|--------------------------------|---|---------------------------|
|  | Issued<br>capital<br>\$'000                 | Foreign<br>currency<br>translation<br>\$'000 | Employee<br>equity<br>benefits<br>\$'000 | Retained<br>earnings<br>\$'000 | Non-<br>controlling<br>interest<br>\$'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                    |
| Security acquisition 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>          |

|  | Attributable to the stapled security holder |  |  |                                | External                                  | Total<br>Equity<br>\$'000 |
|--|---|--|--|--------------------------------|---|---------------------------|
|  | Issued<br>capital<br>\$'000                 | Foreign<br>currency<br>translation<br>\$'000 | Employee<br>equity<br>benefits<br>\$'000 | Retained<br>earnings<br>\$'000 | Non-<br>controlling<br>interest<br>\$'000 |                           |
| <b>CONSOLIDATED</b>                            |   |  |  |                                |   |                           |
| <b>At 1 July 2019</b>                          | 1,599,145                                   | 2,925  | 4,020                                    | 354,641                        | 4,673                                     | 1,965,404                 |
| Other comprehensive income                     | -   | (1,991)                                      | -  | -                              | -   | (1,991)                   |
| Net income for the year                        | -   | -  | -  | 84,727                         | 297                                       | 85,024                    |
| <b>Total comprehensive income for the year</b> | -   | (1,991)                                      | -  | 84,727                         | 297                                       | 83,033                    |
| Equity raisings                                | 254,313                                     | -  | -  | -                              | -   | 254,313                   |
| Issue costs                                    | (5,575)                                     | -  | -  | -                              | -   | (5,575)                   |
| Distribution reinvestment plan                 | 31,882                                      | -  | -  | -                              | -   | 31,882                    |
| Security acquisition rights                    | -   | -  | (1,684)                                  | -                              | -   | (1,684)                   |
| Distribution to security holders               | -   | -  | -  | (120,659)                      | -   | (120,659)                 |
| <b>At 30 June 2020</b>                         | <b>1,879,765</b>                            | <b>934</b>                                   | <b>2,336</b>                             | <b>318,709</b>                 | <b>4,970</b>                              | <b>2,206,714</b>          |

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## NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2021

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 2021 was authorised for issue in accordance with a resolution of the directors on 18 August 2021.

The nature of the operations and principal activities of the 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 and property, plant and equipment (Note 23(n)). 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.

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

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

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

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



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

30 JUNE 2021

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

*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.

*Valuation of property loans at fair value*

The Group makes judgements in respect of the fair value of property loans at fair value. The fair value of these property loans at fair value are reviewed by management with reference to external independent property valuations of the underlying security, market conditions existing at reporting date, using generally accepted market practices and the Group's entitlement to any variable returns associated with the loans.

Due to the COVID-19 pandemic, the key assumptions and estimates used in the valuation approaches for investment property that have been impacted by the pandemic, are also applicable to valuations of the underlying security of the property loans at fair value.

*Net realisable value of inventory*

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions that require the use of management judgment are reviewed half-yearly and these assumptions include the number of lots/units sold per year and the average selling price per lot/unit. If the net realisable value is less than the carrying value of inventory, an impairment loss is recognised in the income statement.

Due to the COVID-19 pandemic, the key assumptions and estimates used in the valuation approaches for investment property that have been impacted by the pandemic, are also applicable to valuations for the net realisation value of inventory.

*Fair value of derivatives*

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

*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.

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

30 JUNE 2021

*Impairment of goodwill and intangible assets*

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangible assets are allocated. For goodwill and intangible assets this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangible assets are discussed in Note 21.

## NOTES TO THE FINANCIAL STATEMENTS – Segment Information

30 JUNE 2021

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) Property Investments: the segment is responsible for the investment in and ownership of self storage and commercial (office, retail and industrial) properties. This segment also includes the equity accounting of co-investments in property entities not engaged in development projects; and
- (b) Property Development: provides 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.

Segment result includes transactions between operating segments which are then eliminated.

The Group has consolidated the Abacus Wodonga Land Fund. The performance of the Fund, which is operated as an externally managed investment scheme, has been classified as within the other segment and the Fund was wound up during the year.

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

30 JUNE 2021

| 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 <sup>^</sup>  | 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> |

<sup>^</sup> includes fair value gain of \$9.4 million

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

30 JUNE 2021

| Year ended 30 June 2020  | Property Investments |                | Property      | Other        | Consolidated   |
|--|----------------------|----------------|---------------|--------------|----------------|
|  | Commercial           | Storage        | Developments  |              |                |
|  | \$'000               | \$'000         | \$'000        | \$'000       | \$'000         |
| <b>Revenue</b>   |                      |                |               |              |                |
| Rental income  | 106,370              | 88,646         | -             | 13           | 195,029        |
| Finance income   | -                    | -              | 46,547        | 271          | 46,818         |
| Management and other fee income  | 4,997                | -              | -             | -            | 4,997          |
| Sale of inventory  | -                    | -              | 8,749         | 6,669        | 15,418         |
| Net change in fair value of investments and financial instruments derecognised                         | 1,540                | 2,356          | 975           | -            | 4,871          |
| Net change in fair value of investments held at balance date   | (2,052)              | 23,169         | (17,488)      | -            | 3,629          |
| Share of profit from equity accounted investments  | 7,668 <sup>^</sup>   | 812            | 2,347         | -            | 10,827         |
| Other income   | 73                   | 2,592          | 45            | -            | 2,710          |
| <b>Total consolidated revenue and other income</b>   | <b>118,596</b>       | <b>117,575</b> | <b>41,175</b> | <b>6,953</b> | <b>284,299</b> |
| Property expenses and outgoings  | (31,655)             | (34,173)       | -             | (89)         | (65,917)       |
| Depreciation and amortisation expense  | (3,630)              | (1,526)        | -             | (9)          | (5,165)        |
| Cost of inventory sales  | -                    | -              | (7,414)       | (4,915)      | (12,329)       |
| Net change in fair value of investment properties and property, plant and equipment derecognised       | (115)                | -              | -             | -            | (115)          |
| Net change in fair value of investment properties and property, plant & equipment held at balance date | (69,076)             | 27,901         | -             | -            | (41,175)       |
| Impairment charges   | -                    | -              | (3,800)       | (1,260)      | (5,060)        |
| Administrative and other expenses  | (18,105)             | -              | (7,727)       | (57)         | (25,889)       |
| <b>Segment result</b>  | <b>(3,985)</b>       | <b>109,777</b> | <b>22,234</b> | <b>623</b>   | <b>128,649</b> |
| Net change in fair value of derivatives  |                      |                |               |              | (3,579)        |
| Finance costs  |                      |                |               |              | (22,965)       |
| Profit before tax  |                      |                |               |              | 102,105        |
| Income tax expense   |                      |                |               |              | (17,081)       |
| <b>Net profit for the year</b>   |                      |                |               |              | <b>85,024</b>  |
| Less non-controlling interest  |                      |                |               |              | (297)          |
| <b>Net profit for the year attributable to members of the Group</b>                                    |                      |                |               |              | <b>84,727</b>  |

<sup>^</sup> includes fair value gain of \$1.2 million

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

|   | Property<br>Investment<br>\$'000 | Property<br>Development<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000  |
|---|----------------------------------|-----------------------------------|-----------------------|------------------|
| <b>As at 30 June 2021</b>                               |                                  |                                   |                       |                  |
| Current assets  | 161,571                          | 20,716                            | 96,330                | 278,617          |
| Non-current assets                                      | 3,628,852                        | 95,294                            | 56,294                | 3,780,440        |
| <b>Total assets</b>                                     | <b>3,790,423</b>                 | <b>116,010</b>                    | <b>152,624</b>        | <b>4,059,057</b> |
| Current liabilities                                     | 34,520                           | 14,259                            | 75,403                | 124,182          |
| Non-current liabilities                                 | 1,811                            | 776                               | 1,030,409             | 1,032,996        |
| <b>Total liabilities</b>                                | <b>36,331</b>                    | <b>15,035</b>                     | <b>1,105,812</b>      | <b>1,157,178</b> |
| <b>Net assets</b>                                       | <b>3,754,092</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>   |

|   | Property<br>Investment<br>\$'000 | Property<br>Development<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000  |
|---|----------------------------------|-----------------------------------|-----------------------|------------------|
| <b>As at 30 June 2020</b>                               |                                  |                                   |                       |                  |
| Current assets  | -                                | 73,163                            | 172,676               | 245,839          |
| Non-current assets                                      | 2,935,779                        | 109,487                           | 50,931                | 3,096,197        |
| <b>Total assets</b>                                     | <b>2,935,779</b>                 | <b>182,650</b>                    | <b>223,607</b>        | <b>3,342,036</b> |
| Current liabilities                                     | 18,271                           | 7,706                             | 71,359                | 97,336           |
| Non-current liabilities                                 | 992                              | 425                               | 1,036,569             | 1,037,986        |
| <b>Total liabilities</b>                                | <b>19,263</b>                    | <b>8,131</b>                      | <b>1,107,928</b>      | <b>1,135,322</b> |
| <b>Net assets</b>                                       | <b>2,916,516</b>                 | <b>174,519</b>                    | <b>(884,321)</b>      | <b>2,206,714</b> |
| Total facilities - bank loans                           |                                  |                                   |                       | 1,113,325        |
| Facilities used at reporting date - bank loans          |                                  |                                   |                       | (974,119)        |
| <b>Facilities unused at reporting date - bank loans</b> |                                  |                                   |                       | <b>139,206</b>   |

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**1. REVENUE**

|  | 2021          | 2020          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>(a) Finance income</b>  |               |               |
| Interest and fee income on secured loans - amortised cost                                | 2,897         | 5,357         |
| Interest and fee income on secured loans - fair value                                    | 12,173        | 41,190        |
| Bank interest  | 75            | 271           |
| <b>Total finance income</b>  | <b>15,145</b> | <b>46,818</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 | 18,017        | 21,067        |
| Net change in fair value of property loans held at balance date                          | (15,268)      | (17,438)      |
| <b>Total change in fair value of investments held at balance date</b>                    | <b>2,749</b>  | <b>3,629</b>  |

**2. EARNINGS PER STAPLED SECURITY**

|   | 2021           | 2020          |
|---|----------------|---------------|
| Basic and diluted earnings per stapled security (cents)                             | 49.84          | 13.18         |
| <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>369,409</b> | <b>84,727</b> |
| <b>Weighted average number of securities:</b>                                       |                |               |
| Weighted average number of stapled securities for basic earning per security ('000) | 741,130        | 643,014       |

**3. EXPENSES**

|  | 2021          | 2020          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>(a) Depreciation and amortisation expenses</b>                                    |               |               |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 3,682         | 3,009         |
| Amortisation - leasing costs   | 4,224         | 2,156         |
| <b>Total depreciation and amortisation expenses</b>                                  | <b>7,906</b>  | <b>5,165</b>  |
| <b>(b) Finance costs</b>   |               |               |
| Interest on loans  | 19,255        | 21,801        |
| Amortisation of finance costs  | 4,024         | 1,164         |
| <b>Total finance costs</b>   | <b>23,279</b> | <b>22,965</b> |
| <b>(c) Administrative and other expenses ^</b>                                       |               |               |
| Wages and salaries   | 31,005        | 15,928        |
| Contributions to defined contribution plans  | 2,140         | 954           |
| Other expenses   | 14,005        | 9,007         |
| <b>Total administrative and other expenses</b>                                       | <b>47,150</b> | <b>25,889</b> |

^ includes administrative and other expenses of the Storage King Group

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 4. INCOME TAX

|  | 2021          | 2020          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>(a) Income tax expense</b>                                  |               |               |
| The major components of income tax expense are:                |               |               |
| <b>Income Statement</b>  |               |               |
| <i>Current income tax</i>                                      |               |               |
| Current income tax charge                                      | 10,426        | 19,801        |
| Adjustments in respect of current income tax of previous years | (2)           | 1,095         |
| <i>Deferred income tax</i>                                     |               |               |
| Relating to origination and reversal of temporary differences  | 5,187         | (3,815)       |
| <b>Income tax expense reported in the income statement</b>     | <b>15,611</b> | <b>17,081</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                           | 385,232       | 102,105       |
| Prima facie income tax expense calculated at 30% (AU)      | 114,646       | 29,978        |
| Prima facie income tax expense calculated at 28% (NZ)      | 862           | 610           |
| Less prima facie income tax expense on profit from Trusts  | (96,326)      | (11,851)      |
| Prima Facie income tax of entities subject to income tax   | 19,182        | 18,737        |
| Adjustment of prior year tax applied                       | (2)           | 1,095         |
| Unrecognised tax losses brought to account                 | -             | (29)          |
| Share of results of joint ventures and associates          | (1,938)       | (1,751)       |
| Security acquisition rights                                | (163)         | (195)         |
| Other items (net)  | (1,468)       | (776)         |
| <b>Income tax expense reported in the income statement</b> | <b>15,611</b> | <b>17,081</b> |



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 4. INCOME TAX (continued)

|  | 2021          | 2020          |
|--|---------------|---------------|
|  | \$'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                 | 22,524        | 15,375        |
| Capital allowances   | 2,027         | 1,842         |
| Brand  | 9,489         | -             |
| Other  | 6,522         | 4,867         |
| <b>Gross deferred income tax liabilities</b>                       | <b>40,562</b> | <b>22,084</b> |
| Set off against deferred tax assets                                | (2,835)       | (1,737)       |
| <b>Net deferred income tax liabilities</b>                         | <b>37,727</b> | <b>20,347</b> |
| <b>Deferred tax assets</b>   |               |               |
| Revaluation of investments and financial instruments at fair value | 6,066         | 6,066         |
| Provisions - other   | 13,755        | 10,847        |
| Provisions - employee entitlements                                 | 2,863         | 2,398         |
| Losses available for offset against future taxable income          | 1,022         | 420           |
| Other  | 1,113         | 518           |
| <b>Gross deferred income tax assets</b>                            | <b>24,819</b> | <b>20,249</b> |
| Set off of deferred tax liabilities                                | (2,835)       | (1,737)       |
| <b>Net deferred income tax assets</b>                              | <b>21,984</b> | <b>18,512</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 2021

**5. INVESTMENT PROPERTIES**

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | \$'000           | \$'000           |
| Leasehold investment properties <sup>1</sup> | 11,613           | 12,300           |
| Freehold investment properties               | 3,338,329        | 2,640,616        |
| <b>Total investment properties</b>           | <b>3,349,942</b> | <b>2,652,916</b> |

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

|  | 2021           | 2020     |
|--|----------------|----------|
|  | \$'000         | \$'000   |
| <b>Investment properties held for sale</b>       |                |          |
| Commercial                                       | 161,571        | -        |
| <b>Total investment properties held for sale</b> | <b>161,571</b> | <b>-</b> |

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| <b>Investment properties</b>       |                  |                  |
| Commercial                         | 1,758,166        | 1,612,247        |
| Storage                            | 1,430,205        | 1,040,669        |
| <b>Total investment properties</b> | <b>3,188,371</b> | <b>2,652,916</b> |

|  |                  |                  |
|--|------------------|------------------|
| <b>Total investment properties including held for sale</b> | <b>3,349,942</b> | <b>2,652,916</b> |
|--|------------------|------------------|

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

|  | Held for sale  |          | Non-current      |                  |
|--|----------------|----------|------------------|------------------|
|  | 2021           | 2020     | 2021             | 2020             |
|  | \$'000         | \$'000   | \$'000           | \$'000           |
| <b>Freehold investment properties</b>              |                |          |                  |                  |
| Carrying amount at beginning of the financial year | -              | 78,850   | 2,640,616        | 1,970,820        |
| Additions*   | -              | -        | 312,311          | 626,500          |
| Capital expenditure                                | -              | 52       | 163,128          | 71,040           |
| Net change in fair value as at balance date        | -              | -        | 238,609          | (40,594)         |
| Net change in fair value derecognised              | -              | (106)    | 2,558            | (9)              |
| Disposals  | -              | (63,111) | (18,831)         | (2,291)          |
| Effect of movements in foreign exchange            | -              | -        | (1,001)          | (4,406)          |
| Properties transferred to / from held for sale     | 161,571        | (15,685) | (161,571)        | 15,685           |
| Straightlining                                     | -              | -        | 939              | 3,871            |
| <b>Carrying amount at end of the year</b>          | <b>161,571</b> | <b>-</b> | <b>3,176,758</b> | <b>2,640,616</b> |

\* includes \$1.7m of borrowing costs capitalised during the year (2020: \$0.3 million).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 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 Head of Property who is also responsible for the Group's internal valuation process. He is assisted by in-house certified professional valuers who are experienced in valuing the types of properties in the applicable locations.

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

The majority of the investment properties are used as security for secured bank debt outlined in Note 11.

The weighted average capitalisation rate for Abacus is 5.65% (2020: 6.00%) and for each significant category above is as follows:

- Commercial – 5.54% (2020: 5.65%)
- Storage – 5.74% (2020: 6.58%)

The optimal occupancy rate utilised in the valuation process ranged from 80.0% to 100.0% (2020: 80.0% to 100.0%). The current occupancy rate for the principal portfolio excluding development and self storage assets is 94.7% (2020: 92.6%). The occupancy rate for the established storage portfolio is 90.9% (2020: 88.3%).

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**5. INVESTMENT PROPERTIES (continued)**

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

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

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

In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the 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 \$155.1 million or decrease the fair value by \$141.9 million respectively.

During the year ended 30 June 2021, 46% (2020: 60%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 54% (2020: 40%) were subject to internal valuation.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

5. INVESTMENT PROPERTIES (continued)

|   | Ownership Interest % | Fair Value 2021 \$'000 | Capitalisation Rate 2021 % | Fair Value 2020 \$'000 | Capitalisation Rate 2020 % |
|---|----------------------|------------------------|----------------------------|------------------------|----------------------------|
| <b>Commercial</b>                                     |                      |                        |                            |                        |                            |
| 99 Walker Street, North Sydney NSW                    | 100                  | 300,000                | 5.00                       | 305,000                | 5.00                       |
| 201 Elizabeth Street, Sydney NSW <sup>1</sup>         | 32                   | 203,200                | 5.00                       | 151,200                | 5.00                       |
| The Oasis, Broadbeach QLD <sup>2</sup>                | 100                  | 174,000                | 7.00                       | -                      | -                          |
| 14 Martin Place, Sydney NSW                           | 50                   | 120,000                | 4.88                       | 116,500                | 4.88                       |
| 710 Collins Street, Melbourne VIC                     | 100                  | 112,000                | 5.25                       | 112,000                | 5.25                       |
| 452 Johnston Street, Abbotsford VIC                   | 100                  | 105,000                | 5.50                       | 102,000                | 5.75                       |
| Ashfield Shopping Centre, Ashfield NSW                | 50                   | 97,500                 | 5.50                       | 96,250                 | 5.75                       |
| Westpac House, Adelaide SA                            | 50                   | 88,000                 | 6.50                       | 78,750                 | 6.75                       |
| 324 Queen Street, Brisbane QLD                        | 50                   | 82,500                 | 5.75                       | 79,000                 | 6.00                       |
| Kingsgate, Fortitude Valley QLD                       | 50                   | 81,875                 | 5.75                       | 80,500                 | 5.75                       |
| Market Central, Lutwyche QLD                          | 50                   | 71,350                 | 6.00                       | 69,341                 | 6.00                       |
| 51 Allara Street, Canberra ACT                        | 100                  | 67,500                 | 6.75                       | 57,250                 | 7.75                       |
| 11 Bowden Street, Alexandria NSW                      | 100                  | 56,000                 | 5.25                       | 55,500                 | 5.50                       |
| 464 St Kilda Road, Melbourne VIC                      | 50                   | 48,500                 | 5.25                       | 50,000                 | 5.25                       |
| Other (11 assets; 2020: 13 assets) <sup>3</sup>       | 50-100               | 312,312                | 5.33                       | 258,956                | 6.32                       |
| <b>Total Commercial</b>                               |                      | <b>1,919,737</b>       | <b>5.54</b>                | <b>1,612,247</b>       | <b>5.65</b>                |
| <b>Self Storage</b>                                   |                      |                        |                            |                        |                            |
| NSW (24 facilities; 2020: 20 facilities) <sup>4</sup> | 100                  | 367,678                | 5.63                       | 258,666                | 6.69                       |
| VIC (22 facilities; 2020: 19 facilities) <sup>5</sup> | 100                  | 300,833                | 5.55                       | 216,342                | 6.45                       |
| QLD (15 facilities; 2020: 14 facilities) <sup>6</sup> | 100                  | 198,754                | 5.80                       | 139,011                | 6.51                       |
| ACT (6 facilities; 2020: 6 facilities)                | 100                  | 187,547                | 5.75                       | 152,850                | 6.53                       |
| WA (9 facilities; 2020: 5 facilities) <sup>7</sup>    | 100                  | 97,099                 | 6.58                       | 57,519                 | 6.93                       |
| SA (2 facilities; 2020: nil facility) <sup>8</sup>    | 100                  | 18,977                 | 5.87                       | -                      | -                          |
| NZ (15 facilities; 2020: 15 facilities)               | 100                  | 259,317                | 5.76                       | 216,281                | 6.57                       |
| <b>Total Self Storage</b>                             |                      | <b>1,430,205</b>       | <b>5.74</b>                | <b>1,040,669</b>       | <b>6.58</b>                |

1. In August 2020, Abacus acquired another 8% interest in 201 Elizabeth Street, Sydney.
2. In April 2021, Abacus acquired the remaining 60% interest and obtained control of The Oasis at Broadbeach QLD..
3. Abacus divested two properties being the car park at Leichhardt NSW in April 2021 and office building at Jetstream QLD in May 2021.
4. Abacus acquired four properties in New South Wales being Granville in August 2020, North Wollongong in September 2020, Revesby in February 2021 and Kirrawee in May 2021.
5. Abacus acquired four properties in Victoria being Rowville in July 2020, Cheltenham and Yarraville in September 2020, and Epping in December 2020. Bullen was compulsorily acquired by the Victorian government via gazettal in April 2021.
6. Abacus acquired a property at Redbank Plains in November 2020.
7. Abacus acquired four properties in Western Australia being Bassendean and Maddington in July 2020, Cockburn Central in September 2020, and Perth Airport in October 2020.
8. Abacus acquired two properties in South Australia being Windsor Gardens and Woodville North in April 2021.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 6. INVENTORY

|                                    | 2021          | 2020          |
|------------------------------------|---------------|---------------|
|                                    | \$'000        | \$'000        |
| <b>(a) Current</b>                 |               |               |
| Property developments <sup>1</sup> |               |               |
| - purchase consideration           | -             | 532           |
| - development costs                | -             | 1,709         |
|                                    | -             | <b>2,241</b>  |
| <b>(b) Non-current</b>             |               |               |
| Property developments <sup>1</sup> |               |               |
| - purchase consideration           | 48,064        | 45,763        |
|                                    | <b>48,064</b> | <b>45,763</b> |
| <b>Total inventory</b>             | <b>48,064</b> | <b>48,004</b> |

1. Inventories are held at the lower of cost and net realisable value.

## 7. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

|  | 2021           | 2020           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| <b>(a) Current property loans</b>                            |                |                |
| Secured loans - amortised cost                               | -              | 22,236         |
| Interest receivable on secured loans - amortised cost        | -              | 2,256          |
| Provision for secured loans - amortised cost                 | -              | (3,910)        |
| Secured loans - fair value                                   | 17,847         | 46,106         |
| Interest receivable on secured loans - fair value            | 2,869          | 6,475          |
|  | <b>20,716</b>  | <b>73,163</b>  |
| <b>(b) Non-current property loans</b>                        |                |                |
| Secured loans - fair value                                   | 41,726         | 54,578         |
| Interest receivable on secured loans - fair value            | 5,504          | 8,643          |
|  | <b>47,230</b>  | <b>63,221</b>  |
| <b>(c) Non-current other financial assets</b>                |                |                |
| Investment in securities - listed - fair value               | 231,895        | 140,669        |
| Investment in securities and options - unlisted - fair value | 2,590          | 839            |
|  | <b>234,485</b> | <b>141,508</b> |

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

|                            | Fordtrans Pty Ltd* |                | Oasis JV Unit Trust <sup>^</sup> |                | Other Joint Ventures |                | Total          |                |
|----------------------------|--------------------|----------------|----------------------------------|----------------|----------------------|----------------|----------------|----------------|
|                            | 2021<br>\$'000     | 2020<br>\$'000 | 2021<br>\$'000                   | 2020<br>\$'000 | 2021<br>\$'000       | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Revenue                    | 34,090             | 11,925         | 13,628                           | 17,652         | 12,660               | 68,394         | 60,378         | 97,971         |
| Expenses                   | (4,305)            | (5,876)        | (8,908)                          | (8,133)        | (14,122)             | (62,329)       | (27,335)       | (76,338)       |
| <b>Net profit</b>          | <b>29,785</b>      | <b>6,049</b>   | <b>4,720</b>                     | <b>9,519</b>   | <b>(1,462)</b>       | <b>6,065</b>   | <b>33,043</b>  | <b>21,633</b>  |
| <b>Share of net profit</b> | <b>14,892</b>      | <b>3,024</b>   | <b>1,888</b>                     | <b>3,808</b>   | <b>81</b>            | <b>3,995</b>   | <b>16,861</b>  | <b>10,827</b>  |

\* Included in the net profit of Fordtrans Pty Ltd for the year ended 30 June 2021: interest income \$1.6 million (2020: \$1.8 million) and interest expense \$1.5 million (2020: \$2.1 million).

<sup>^</sup> Included in the net profit of Oasis JV Unit Trust for the period ended 30 April 2021: nominal interest income (for both years) and interest expense \$1.6 million (2020: \$2.5 million).

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

|                            | Fordtrans Pty Ltd* |                | Oasis JV Unit Trust <sup>^</sup> |                | Other Joint Ventures |                | Total          |                |
|----------------------------|--------------------|----------------|----------------------------------|----------------|----------------------|----------------|----------------|----------------|
|                            | 2021<br>\$'000     | 2020<br>\$'000 | 2021<br>\$'000                   | 2020<br>\$'000 | 2021<br>\$'000       | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Current assets             | 5,909              | 9,004          | -                                | 5,957          | 8,191                | 12,671         | 14,100         | 27,632         |
| Non-current assets         | 232,403            | 209,624        | -                                | 172,500        | 99,365               | 76,708         | 331,768        | 458,832        |
| Current liabilities        | 238,312            | 218,628        | -                                | 178,457        | 107,556              | 89,379         | 345,868        | 486,464        |
| Non-current liabilities    | (10,305)           | (17,982)       | -                                | (96,288)       | (16,674)             | (10,930)       | (26,979)       | (125,200)      |
| Net assets                 | (64,711)           | (62,992)       | -                                | -              | (35,692)             | (17,626)       | (100,403)      | (80,618)       |
| <b>Net assets</b>          | <b>163,296</b>     | <b>137,654</b> | <b>-</b>                         | <b>82,169</b>  | <b>55,190</b>        | <b>60,823</b>  | <b>218,486</b> | <b>280,646</b> |
| <b>Share of net assets</b> | <b>81,648</b>      | <b>68,827</b>  | <b>-</b>                         | <b>32,868</b>  | <b>28,766</b>        | <b>21,734</b>  | <b>110,414</b> | <b>123,429</b> |

\* Included in the net assets of Fordtrans Pty Ltd as at 30 June 2021: cash and cash equivalents \$1.1 million (2020: \$0.4 million), current interest bearing loans and borrowings \$Nil (2020: \$Nil) and non-current interest bearing loans and borrowings \$61.0 million (2020: \$63.0 million).

<sup>^</sup> Included in the net assets of Oasis JV Unit Trust as at 30 June 2020: cash and cash equivalents \$3.7 million, current interest bearing loans and borrowings \$92.9 million 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 2021 was \$2.1 million (2020: \$2.1 million).

**2. Oasis JV Unit Trust (The Oasis)**

Abacus had a 40.0% interest in the ownership of Oasis JV Unit Trust. Oasis JV Unit Trust's principal place of business is in Broadbeach, Queensland. In April 2021, Abacus acquired the remaining 60.0% interest in the trust and obtained full control of the trust.

Oasis JV Unit Trust owns a sub-regional shopping centre at Broadbeach, Queensland.

Abacus' received nominal distributions for years ended 30 June 2021 and 30 June 2020.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 9. CASH AND CASH EQUIVALENTS

|   | 2021           | 2020           |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| Reconciliation to Statement of Cash Flow  |                |                |
| For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following:                         |                |                |
| Cash at bank and in hand <sup>1</sup>   | 57,992         | 127,313        |
| 1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value. |                |                |
| Net profit  | 369,621        | 85,024         |
| <b>Adjustments for:</b>   |                |                |
| Depreciation and amortisation of non-current assets   | 7,906          | 5,165          |
| Net change in fair value of derivatives   | 4,571          | 3,579          |
| Net change in fair value of investment properties held at balance date  | (237,433)      | 41,175         |
| Net change in fair value of investments held at balance date  | (2,749)        | (3,629)        |
| Net change in fair value of investment properties derecognised  | (2,558)        | 115            |
| Net change in fair value of investment and financial instruments derecognised   | (3,477)        | (4,871)        |
| Net (gain) / loss on disposal of property, plant and equipment  | (4)            | -              |
| Share of profit from equity accounted investments   | (16,861)       | (10,827)       |
| Increase / (decrease) in payables   | 16,494         | 17,410         |
| (Increase) / decrease in inventories  | 2,709          | 11,674         |
| (Increase) / decrease in receivables and other assets   | (6,618)        | 60,581         |
| <b>Net cash from operating activities</b>   | <b>131,601</b> | <b>205,396</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 26.40 million (2020: 8.56 million) stapled securities were issued with a cash equivalent of \$71.3 million (2020: \$31.9 million).



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 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 \$597 million with its longest-date tranche being a 6-year loan facility. Abacus also increased and refinanced its self storage syndicated facility to \$639 million with the longest-dated tranche expiring in July 2026. Abacus has no bank debt expiring in financial year ending 30 June 2022 with the majority of debt expiring from the financial year ending 30 June 2024 onwards.

Abacus has a total gearing covenant as a condition of the current \$597 million 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 December 2020, Abacus completed a fully underwritten 1-for-4.8 accelerated non-renounceable pro rata entitlement offer to eligible securityholders to apply for new securities at \$2.90 per stapled security which raised \$402 million.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**11. INTEREST BEARING LOANS AND BORROWINGS**

|   | 2021           | 2020             |
|---|----------------|------------------|
|   | \$'000         | \$'000           |
| <b>Non-current</b>                              |                |                  |
| Bank loans - A\$                                | 822,805        | 867,072          |
| Bank loans - A\$ value of NZ\$ denominated loan | 137,099        | 107,447          |
| Loan from related party - A\$                   | 31,158         | 38,573           |
| Less: Unamortised borrowing costs               | (2,537)        | (3,332)          |
| <b>(a) Total non-current</b>                    | <b>988,525</b> | <b>1,009,760</b> |

|   | 2021           | 2020             |
|---|----------------|------------------|
|   | \$'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  | 481,512        | 833,010          |
| Due after five years  | 507,013        | 176,750          |
|   | <b>988,525</b> | <b>1,009,760</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 2022 to July 2027. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 46.5% (2020: 47.9%) of bank debt drawn was subject to fixed rate hedges and the drawn bank debt had a weighted average term to maturity of 4.8 years (2020: 3.9 years). Hedge cover as a percentage of available facilities at 30 June 2021 was 32.9% (2020: 41.9%).

Abacus' weighted average interest rate for bank debt as at 30 June 2021 was 1.95% (2020: 3.01%). Line fees on undrawn facilities contributed to 0.37% of the weighted average interest rate at 30 June 2021 (2020: 0.45%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2021 was 1.58% (2020: 2.56%).

**Assets pledged as security**

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

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | \$'000           | \$'000           |
| <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                        | 3,007,437        | 2,619,666        |
| Total non-current assets pledged as security | 3,007,437        | 2,619,666        |
| <b>Total assets pledged as security</b>      | <b>3,035,406</b> | <b>2,619,666</b> |

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 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 23 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).

The Group's credit risk is predominately driven by its Property Developments business which provides loans to third parties, those using the funds for property development and / or investment. The Group mitigates the exposure to this risk by evaluation of the application before acceptance. The analysis will specifically focus on:

- the Loan Valuation Ratio (LVR) at drawdown;
- mortgage ranking;
- background of the developer (borrower) including previous developments;
- background of the owner (borrower) including previous investment track record;
- that the terms and conditions of higher ranking mortgages are acceptable to the Group;
- appropriate property insurances are in place with a copy provided to the Group; and
- market analysis of the completed development being used to service drawdown.

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**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 |                |
|---|-----------------|----------------|
|   | 2021            | 2020           |
|   | \$'000          | \$'000         |
| Receivables                             | 33,653          | 39,427         |
| Listed and unlisted property securities | 234,485         | 141,508        |
| Cash and cash equivalents               | 57,992          | 127,313        |
| <b>Cash and other financial assets</b>  | <b>326,130</b>  | <b>308,248</b> |
| Secured property loans - amortised cost | -               | 24,492         |
| Secured property loans - fair value     | 67,946          | 115,802        |
| <b>Secured property loans</b>           | <b>67,946</b>   | <b>140,294</b> |
| <b>Total credit risk exposure</b>       | <b>394,076</b>  | <b>448,542</b> |

As at 30 June 2021, the Group had the following concentrations of credit risk:

- Secured property loans: cross-collateralised loans which were secured by two large developments at Riverlands and Camellia and other small developments collectively represent 70% (2020: 66%) of the portfolio.

**Secured property loans**

The Group has a total investment of \$67.9 million in secured property loans as at 30 June 2021 (2020: \$140.3 million). Of these loans \$67.9 million has been renewed / extended beyond the original term on commercial terms (2020: \$100.5 million).

Since the secured loans at amortised cost have been fully repaid during the year, there is no expected credit loss (ECL) provision as at 30 June 2021 (2020: \$3.9 million) and there has been no additional provision recognised during the year (2020: \$3.7 million).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 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 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  | Contractual cash flows | 1 Year or less | Over 1 year to 5 years | Over 5 years   |
|---|------------------|------------------------|----------------|------------------------|----------------|
| 30 June 2020  | \$'000           | \$'000                 | \$'000         | \$'000                 | \$'000         |
| <b>Liabilities</b>                                      |                  |                        |                |                        |                |
| Trade and other payables                                | 80,990           | 80,990                 | 80,990         | -                      | -              |
| Interest bearing loans and borrowings incl derivatives# | 1,011,401        | 1,107,261              | 22,963         | 907,196                | 177,102        |
| <b>Total liabilities</b>                                | <b>1,092,391</b> | <b>1,188,251</b>       | <b>103,953</b> | <b>907,196</b>         | <b>177,102</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 2021, after taking into account the effect of interest rate swaps, approximately 46.5% (2020: 47.9%) of the Group's drawn debt is subject to fixed rate hedges. Hedge cover as a percentage of available facilities at 30 June 2021 is 32.9% (2020: 41.9%). 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 2021

**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<br>interest rate<br>\$'000 | Fixed interest<br>less than<br>1 year<br>\$'000 | Fixed interest<br>1 to 5 years<br>\$'000 | Fixed interest<br>over 5 years<br>\$'000 | Non interest<br>bearing<br>\$'000 | Total<br>\$'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              |
| <b>Total financial assets</b>                      | <b>57,992</b>                       | <b>20,716</b>                                   | <b>47,230</b>                            | <b>-</b>                                 | <b>34,326</b>                     | <b>160,264</b>   |
| Weighted average interest rate*                    | 0.10%                               | 10.00%  | 10.00%                                   |  |                                   |                  |
| <b>Financial liabilities</b>                       |                                     |   |  |  |                                   |                  |
| Interest bearing liabilities - bank                | 913,144                             | -   | -  | 46,750                                   | -                                 | 959,894          |
| Interest bearing liabilities - other               | -                                   | -   | 31,158                                   | -  | -                                 | 31,158           |
| Derivatives  | -                                   | -   | -  | -  | 958                               | 958              |
| Payables   | -                                   | -   | -  | -  | 112,135                           | 112,135          |
| <b>Total financial liabilities</b>                 | <b>913,144</b>                      | <b>-</b>  | <b>31,158</b>                            | <b>46,750</b>                            | <b>113,093</b>                    | <b>1,104,145</b> |
| Notional principal swap balance maturities*        | -                                   | 170,000   | 230,000                                  | -  | -                                 | 400,000          |
| Weighted average interest rate on drawn bank debt* | 1.95%                               |   |  |  |                                   |                  |

|  | Floating<br>interest rate<br>\$'000 | Fixed interest<br>less than<br>1 year<br>\$'000 | Fixed interest<br>1 to 5 years<br>\$'000 | Fixed interest<br>over 5 years<br>\$'000 | Non interest<br>bearing<br>\$'000 | Total<br>\$'000  |
|--|-------------------------------------|---|--|--|-----------------------------------|------------------|
| <b>30 June 2020</b>                                |                                     |   |  |  |                                   |                  |
| <b>Financial Assets</b>                            |                                     |   |  |  |                                   |                  |
| Cash and cash equivalents                          | 127,313                             | -   | -  | -  | -                                 | 127,313          |
| Receivables  | -                                   | -   | -  | -  | 39,427                            | 39,427           |
| Secured loans                                      | -                                   | 124,898   | 15,396                                   | -  | -                                 | 140,294          |
| <b>Total financial assets</b>                      | <b>127,313</b>                      | <b>124,898</b>                                  | <b>15,396</b>                            | <b>-</b>                                 | <b>39,427</b>                     | <b>307,034</b>   |
| Weighted average interest rate*                    | 0.35%                               | 10.52%  | 20.00%                                   |  |                                   |                  |
| <b>Financial liabilities</b>                       |                                     |   |  |  |                                   |                  |
| Interest bearing liabilities - bank                | 927,369                             | -   | -  | 46,750                                   | -                                 | 974,119          |
| Interest bearing liabilities - other               | -                                   | -   | 38,573                                   | -  | -                                 | 38,573           |
| Derivatives  | -                                   | -   | -  | -  | 1,666                             | 1,666            |
| Payables   | -                                   | -   | -  | -  | 80,990                            | 80,990           |
| <b>Total financial liabilities</b>                 | <b>927,369</b>                      | <b>-</b>  | <b>38,573</b>                            | <b>46,750</b>                            | <b>82,656</b>                     | <b>1,095,348</b> |
| Notional principal swap balance maturities*        | -                                   | 110,000   | 310,000                                  | -  | -                                 | 420,000          |
| Weighted average interest rate on drawn bank debt* | 3.01%                               |   |  |  |                                   |                  |

\* calculated at 30 June

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**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 2021          | \$'000          | \$'000   | \$'000 | \$'000  | \$'000 |
| Financial assets      | 58,665          | (5,613)  | -      | 5,140   | -      |
| Financial liabilities | 914,102         | 1,671    | -      | (2,523) | -      |

|                       | Carrying amount | AUD      |        |         |        |
|-----------------------|-----------------|----------|--------|---------|--------|
|                       |                 | Floating | -1%    | +1%     |        |
|                       |                 |          | Profit | Equity  | Profit |
| 30 June 2020          | \$'000          | \$'000   | \$'000 | \$'000  | \$'000 |
| Financial assets      | 127,313         | (1,273)  | -      | 1,273   | -      |
| Financial liabilities | 929,010         | 958      | -      | (2,131) | -      |

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 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")<br>Direct comparison<br>Income capitalisation method | Discount rate<br>Net operating income<br>Adopted capitalisation rate<br>Rate per unit<br>Optimal occupancy<br>Adopted discount rate |
| Property loans - fair value        | Level 3              | Residual cash flow analysis   | Property loan cash flow forecast<br>Property loan payment priorities  |
| Securities and options - unlisted  | Level 3              | Pricing models  | Security price<br>Underlying net asset<br>Property valuations   |
| Derivative - financial instruments | Level 2              | DCF (adjusted for counterparty credit worthiness)                                 | Interest rates<br>Consumer Price Index ("CPI")<br>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. |
| Residual cash flow analysis          | The analysis takes into account the time value of money in a more detailed way than simply a developer's profit margin as it considers the timing of all costs and income associated with the project.   |
| 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 2021

**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 2021.

|  | Secured<br>loans | Unlisted<br>securities/<br>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>        | <b>67,946</b>    | <b>2,590</b>                       | <b>70,536</b> |

|  | Secured<br>loans | Unlisted<br>securities/<br>options | Total          |
|--|------------------|------------------------------------|----------------|
|  | \$'000           | \$'000                             | \$'000         |
| <b>Opening balance as at 30 June 2019</b>        | 113,156          | 1,277                              | 114,433        |
| Fair value movement through the income statement | (17,488)         | (438)                              | (17,926)       |
| Additions  | 165,887          | -                                  | 165,887        |
| Disposals  | (145,753)        | -                                  | (145,753)      |
| <b>Closing balance as at 30 June 2020</b>        | <b>115,802</b>   | <b>839</b>                         | <b>116,641</b> |

*Sensitivity of Level 3 – secured loans*

The fair values of the secured loans are impacted by the underlying property development valuations and returns. The potential effect of using reasonable possible alternative assumptions based on a decrease / increase in the underlying property developments' returns by 10% would have the effect of reducing the fair value by \$10.7 million (2020: \$7.5 million) or increase the fair value by \$10.5 million (2020: \$Nil) respectively.

*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 (2020: \$0.1 million) or increase the fair value by \$0.1 million (2020: \$0.1 million) respectively.

**13. CONTRIBUTED EQUITY**

|                                      | 2021             | 2020             |
|--------------------------------------|------------------|------------------|
|                                      | \$'000           | \$'000           |
| <b>(a) Issued stapled securities</b> |                  |                  |
| Stapled securities                   | 2,398,882        | 1,925,398        |
| Issue costs                          | (49,091)         | (45,634)         |
| <b>Total contributed equity</b>      | <b>2,349,791</b> | <b>1,879,764</b> |

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 14. DISTRIBUTIONS PAID AND PROPOSED

|  | 2021   | 2020   |
|--|--------|--------|
|  | \$'000 | \$'000 |
| <b>(a) Distributions paid during the year</b>  |        |        |
| June 2020 half: 9.05 cents per stapled security (2019: 9.25 cents)                         | 59,142 | 53,701 |
| December 2020 half: 8.50 cents per stapled security (2019: 9.45 cents)                     | 68,374 | 60,984 |
| <b>(b) Distributions proposed and recognised as a liability<sup>^</sup></b>                |        |        |
| June 2021 half: 8.50 cents per stapled security (2020: 9.05 cents)                         | 69,580 | 59,142 |
| <b>(c) Additional distributions proposed and not recognised as a liability<sup>^</sup></b> |        |        |
| June 2021 half: 0.50 cents per stapled security  | 4,093  | -      |

<sup>^</sup> The final distribution of 9.00 cents per stapled security comprised of a distribution of 8.50 cents declared on 17 June 2021 and an additional distribution of 0.50 cents declared on 18 August 2021. The provision for the additional distribution has not been recognised in the statement of financial position at 30 June 2021 as the additional distribution was declared subsequent to the financial year end. The distribution being paid on or around 31 August 2021 will be approximately \$69.6 million and the additional distribution being paid on or around 30 September 2021 will be approximately \$4.1 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 (2020: \$92 million).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 15. PARENT ENTITY FINANCIAL INFORMATION

|  | 2021           | 2020           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| <b>Results of the parent entity</b>                        |                |                |
| Profit for the year  | 3,942          | 852            |
| <b>Total comprehensive expense for the year</b>            | <b>3,942</b>   | <b>852</b>     |
| <b>Financial position of the parent entity at year end</b> |                |                |
| Current assets   | 1,653          | 2,094          |
| <b>Total assets</b>  | <b>542,756</b> | <b>434,441</b> |
| Current liabilities  | 88             | 56             |
| <b>Total liabilities</b>                                   | <b>99,521</b>  | <b>98,940</b>  |
| <b>Net assets</b>  | <b>443,235</b> | <b>335,501</b> |
| <b>Total equity of the parent entity comprising of:</b>    |                |                |
| Issued capital   | 519,663        | 411,423        |
| Accumulated losses   | (79,133)       | (78,258)       |
| Employee options reserve                                   | 2,705          | 2,336          |
| <b>Total equity</b>  | <b>443,235</b> | <b>335,501</b> |

#### (a) Parent entity contingencies

As at 30 June 2021, the parent entity is still bound by the following agreement:

- Act as guarantor for borrowings for an intra-group co-ownership arrangement to a guarantee limit of \$19.0 million (2020: \$19.0 million). No property security has been provided by the parent.

#### (b) Parent entity capital commitments

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 16. PROPERTY, PLANT AND EQUIPMENT

|  | 2021          | 2020          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Non-current</b>                                     |               |               |
| Right of use property asset                            | 1,360         | 2,266         |
| Storage properties                                     | 19,239        | 14,758        |
| Office equipment / furniture and fittings              | 1,065         | 1,405         |
| <b>Total non-current property, plant and equipment</b> | <b>21,664</b> | <b>18,429</b> |

The following table is a reconciliation of the movements of property, plant and equipment for the year ended 30 June 2021.

|   | 2021          | 2020          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>Right of use property asset</b>                              |               |               |
| At the beginning of the period net of accumulated depreciation  | 2,266         | -             |
| Additions   | -             | 3,173         |
| Depreciation charge for the period                              | (906)         | (907)         |
| <b>At the end of the period net of accumulated depreciation</b> | <b>1,360</b>  | <b>2,266</b>  |
| Gross value   | 3,173         | 3,173         |
| Accumulated depreciation  | (1,813)       | (907)         |
| <b>Net carrying amount at end of the year</b>                   | <b>1,360</b>  | <b>2,266</b>  |
| <b>Plant and equipment</b>                                      |               |               |
| At the beginning of the period net of accumulated depreciation  | 16,163        | 10,539        |
| Additions   | 7,078         | 7,637         |
| Disposal  | (597)         | -             |
| Exchange differences  | (63)          | (43)          |
| Depreciation charge for the period                              | (2,277)       | (1,970)       |
| <b>At the end of the period net of accumulated depreciation</b> | <b>20,304</b> | <b>16,163</b> |
| Gross value   | 31,284        | 26,263        |
| Accumulated depreciation  | (10,980)      | (10,100)      |
| <b>Net carrying amount at end of the year</b>                   | <b>20,304</b> | <b>16,163</b> |
| <b>Total</b>  | <b>21,664</b> | <b>18,429</b> |

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**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 2021 are as follows:

|                      | <b>2021</b>    | <b>2020</b>    |
|----------------------|----------------|----------------|
|                      | <b>\$'000</b>  | <b>\$'000</b>  |
| Within one year      | 84,561         | 72,289         |
| Within two years     | 73,013         | 60,024         |
| Within three years   | 54,673         | 46,309         |
| Within four years    | 44,268         | 32,156         |
| Within five years    | 32,102         | 21,425         |
| More than five years | 84,513         | 63,047         |
|                      | <b>373,130</b> | <b>295,250</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 2021 the Group had numerous commitments and contingent liabilities 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>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>\$'000</b>  | <b>\$'000</b>  |
| Within one year  |                |                |
| - gross settlement of property and investment acquisitions | 159,018        | 45,288         |
| - property refurbishment costs                             | 14,570         | 7,431          |
| - property development costs                               | 69,880         | 18,367         |
| - unused portion of loan facilities to outside parties     | 27,801         | 48,673         |
|  | <b>271,269</b> | <b>119,759</b> |

**Contingent liabilities:**

|                       |   |              |
|-----------------------|---|--------------|
| Within one year       |   |              |
| - corporate guarantee | - | 2,373        |
|                       | - | <b>2,373</b> |

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**18. RELATED PARTY DISCLOSURES**

**(a) Subsidiaries**

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

| Entity  | Equity interest |      |
|---|-----------------|------|
|   | 2021            | 2020 |
|   | %               | %    |
| <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 Wodonga Land Commercial Trust                      | -               | 100  |
| Yarradale Developments Trust                              | -               | 100  |
| Abacus Hobart Growth Trust                                | 100             | 100  |
| Abacus Melbat Trust                                       | 100             | 100  |
| Hurstbat Pty Limited                                      | 100             | 100  |
| Villemel Pty Limited                                      | 100             | 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 2021

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

**(a) Subsidiaries (continued)**

| Entity   | Equity interest |      |
|--|-----------------|------|
|  | 2021            | 2020 |
|  | %               | %    |
| <i>Abacus Trust and its subsidiaries:</i>        |                 |      |
| Abacus 1769 Hume Highway Trust                   | 100             | 100  |
| Abacus Abbotsford Trust                          | 100             | 100  |
| Abacus AGOF Trust                                | -               | 100  |
| Abacus Ann Street Trust                          | 100             | 100  |
| Abacus Ashfield Mall Property Trust              | 100             | 100  |
| Abacus Bowden Street Trust                       | 100             | 100  |
| Abacus Jetstream Trust                           | 100             | 100  |
| Abacus K1 Property Trust                         | 100             | 100  |
| Abacus Liverpool Plaza Trust                     | -               | 100  |
| Abacus Lutwyche Trust                            | 100             | 100  |
| Abacus Oasis Trust                               | 100             | 100  |
| Abacus Potts Point Trust                         | 100             | 100  |
| Abacus Premier Parking Trust                     | -               | 100  |
| Abacus Richmond Trust                            | 100             | 100  |
| Abacus Shopping Centre Trust                     | 100             | 100  |
| Abacus Short Street Trust                        | 100             | 100  |
| Abacus SP Fund                                   | -               | 100  |
| Abacus Varsity Lakes 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                  | 100             | 100  |
| 444 Queen Street Trust                           | 100             | 100  |
| Lutwyche City Shopping Centre Unit Trust         | 100             | 100  |
| Oasis JV Unit Trust                              | 100             | 40   |
| <i>Abacus Income Trust and its subsidiaries:</i> |                 |      |
| Abacus Brendale Trust                            | 100             | 100  |
| Abacus Eagle Farm Trust                          | 100             | 100  |
| Abacus Grant Street Trust                        | 100             | 100  |
| Abacus Todd Road Trust                           | 100             | 100  |

\* These entities are wholly owned by Abacus

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

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

**(a) Subsidiaries (continued)**

| Entity   | Equity interest |           |
|--|-----------------|-----------|
|  | 2021<br>%       | 2020<br>% |
| <i>Abacus Storage Operations Limited and its subsidiaries:</i> |                 |           |
| Abacus Storage NZ Operations Pty Limited                       | 100             | 100       |
| Abacus Storage Solutions Pty Limited                           | 100             | 100       |
| Abacus Storage Solutions NZ Pty Limited                        | 100             | 100       |
| Abacus USI C Trust   | 100             | 100       |
| Abacus U Stow It A1 Trust                                      | 100             | 100       |
| Abacus U Stow It B1 Trust                                      | 100             | 100       |
| Abacus U Stow It A2 Trust                                      | 100             | 100       |
| Abacus U Stow It B2 Trust                                      | 100             | 100       |
| U Stow It Holdings Limited                                     | 100             | 100       |
| U Stow It Pty Limited  | 100             | 100       |
| Abacus SK Pty Limited  | 100             | 100       |
| Storage King Corporate Holdings Pty Limited                    | 100             | 25        |
| Storage King Services Pty Limited                              | 100             | 25        |
| SK Licensing Pty Limited                                       | 100             | 25        |
| SK (Licensees) Pty Limited                                     | 100             | 25        |
| Storage King Management Pty Limited                            | 100             | 25        |
| Storage King Store Management Pty Limited                      | 100             | 25        |
| Storage King Management NZ Limited                             | 100             | 25        |
| Storage King (Singapore) Pte Limited                           | 100             | 25        |
| Storage King International Limited                             | 100             | 25        |
| Storage King Pty Limited                                       | 100             | 25        |
| Storage King NZ Limited  | 100             | 25        |
| A.A1 Storage King Pty Limited                                  | 100             | 25        |
| <i>Abacus Storage Property Trust and its subsidiary:</i>       |                 |           |
| Abacus Storage NZ Property Trust                               | 100             | 100       |
| Abacus Wodonga Land Fund (wound up)                            | -               | 15        |

*Subsidiaries controlled by the Group with material non-controlling interest*

|                          | Principal<br>place of<br>business | % held by<br>NCI | (Profit)/loss<br>allocated to<br>NCI<br>\$'000 | Accumulated<br>NCI<br>\$'000 |
|--------------------------|-----------------------------------|------------------|--|------------------------------|
| <b>30 June 2021</b>      |                                   |                  |  |                              |
| Abacus Wodonga Land Fund | Australia                         | 85               | (212)  | -                            |
| <b>30 June 2020</b>      |                                   |                  |  |                              |
| Abacus Wodonga Land Fund | Australia                         | 85               | (296)  | 4,969                        |

**(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 2021

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

**(d) Transactions with related parties**

|   | 2021    | 2020   |
|---|---------|--------|
|   | \$'000  | \$'000 |
| <b>Transactions with related parties other than associates and joint ventures</b> |         |        |
| <b>Revenues</b>   |         |        |
| Property management fees received / receivable                                    | 239     | 219    |
| <b>Transactions with associates and joint ventures</b>                            |         |        |
| <b>Revenues</b>   |         |        |
| Management fees received / receivable from joint ventures                         | 2,602   | 3,188  |
| Revenue received / receivable from joint ventures                                 | 18,076  | 12,056 |
| <b>Other transactions</b>   |         |        |
| Loan advanced to joint ventures   | (8)     | (701)  |
| Loan repayments from joint ventures   | 999     | 10,285 |
| Loan advanced from joint ventures   | 1,640   | 1,772  |
| 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 (2020: 50%).

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

| Property        | Relationship with Kirsh | Charge per annum   | 2021    | 2020    |
|-----------------|-------------------------|--------------------|---------|---------|
|                 |                         |                    | \$      | \$      |
| 14 Martin Place | Tenants-in-common       | 3% of gross rental | 231,294 | 205,733 |
| 4 Martin Place  | 100% owned by Kirsh     | 3% of gross rental | 239,052 | 218,546 |

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**

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**19. KEY MANAGEMENT PERSONNEL****(a) Compensation for key management personnel**

|                              | 2021             | 2020             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 3,747,524        | 3,398,647        |
| Post-employment benefits     | 105,501          | 105,827          |
| Other long-term benefits     | 37,342           | 58,882           |
| Security-based payments      | 745,020          | 492,514          |
|                              | <b>4,635,387</b> | <b>4,055,870</b> |

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

There were no loans to key management personnel and their related parties at any time in 2021 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. SECURITY BASED PAYMENTS**

**(a) Recognised security payment expenses**

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

|  | 2021   | 2020   |
|--|--------|--------|
|  | \$'000 | \$'000 |
| Expense arising from equity-settled payment transactions | 1,930  | 1,437  |

**Type of security – based payment plan**

*Security Acquisition Rights (SARs)*

The deferred variable incentive 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 sustainable underlying profit that covers the distribution level implicit in the Group's security price.

Key executives have been allocated SARs in the current financial year generally equal to the last current variable incentive paid. 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 to the purpose of providing deferred variable incentives.

The SARs granted during the year vest as follows:

| Vesting date   | Amount Vested                  | Potential number to vest |
|----------------|--------------------------------|--------------------------|
| September 2022 | One third of the initial issue | 306,529                  |
| September 2023 | One third of the initial issue | 306,529                  |
| September 2024 | One third of the initial issue | 306,529                  |

For valuation purposes the SARs are equivalent to European call options (in that they may be "exercised" only at their maturity (i.e. vesting date)). The fair value of the SARs granted is estimated at the date of the grant using the HoadleyESO4 model which uses a trinomial tree with 500 steps.

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

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### 20. SECURITY BASED PAYMENTS (continued)

#### (b) Summary of SARs granted

The following table illustrates movements in SARs during this year:

|   | 2021             | 2020             |
|---|------------------|------------------|
|   | No.              | No.              |
| Opening balance                           | 1,580,715        | 1,603,068        |
| Granted during the year                   | 919,587          | 598,977          |
| Forfeited during the year                 | -                | -                |
| Vested during the year                    | (474,774)        | (621,330)        |
| <b>Outstanding at the end of the year</b> | <b>2,025,528</b> | <b>1,580,715</b> |
| <b>Exercisable at the end of the year</b> | <b>-</b>         | <b>-</b>         |

The weighted average remaining life of the instrument at 30 June 2021 was 1.5 years (2020: 1.4 years) and the weighted average fair value of the SARs granted during the year was \$2.80 (2020: \$3.43).

The following table lists the inputs to the model used for the SARs plan for the years ended 30 June 2021 and 30 June 2020:

|                             | 2021        | 2020        |
|-----------------------------|-------------|-------------|
| Expected volatility (%)     | 30          | 19          |
| Risk-free interest rate (%) | 0.04 - 0.19 | 0.60 - 0.82 |
| Life of instrument (years)  | 1.8 - 3.8   | 1.8 - 3.8   |
| Model used                  | Trinomial   | Trinomial   |

The expected life of the SARs 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 SARs is indicative of future trends, which may not necessarily be the actual outcome.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 21. INTANGIBLE ASSETS AND GOODWILL

## Description of the Group's intangible assets

*Abacus Funds Management Limited*

|                               | Notes | 2021<br>\$'000 | 2020<br>\$'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 | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------|-------|----------------|----------------|
| <b>Goodwill</b>               |       |                |                |
| Additions                     | 22    | 33,132         | -              |
| <b>At the end of the year</b> |       | <b>33,132</b>  | <b>-</b>       |

**Brand and trademarks with indefinite lives**

|                               |  |               |          |
|-------------------------------|--|---------------|----------|
| Additions                     |  | 31,629        | -        |
| <b>At the end of the year</b> |  | <b>31,629</b> | <b>-</b> |

**Licences and management rights**

|  |  |              |          |
|--|--|--------------|----------|
| Additions  |  | 8,218        | -        |
| Amortisation charge for the year                               |  | (312)        | -        |
| <b>At the end of the year, net of accumulated amortisation</b> |  | <b>7,906</b> | <b>-</b> |

**Software**

|  |  |              |            |
|--|--|--------------|------------|
| At 1 July, net of accumulated amortisation                     |  | 597          | 747        |
| Additions  |  | 1,126        | 148        |
| Amortisation charge for the year                               |  | (472)        | (298)      |
| <b>At the end of the year, net of accumulated amortisation</b> |  | <b>1,251</b> | <b>597</b> |

|                                       |  |                |               |
|---------------------------------------|--|----------------|---------------|
| <b>Total goodwill and intangibles</b> |  | <b>106,312</b> | <b>32,991</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 2021 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:

- Management and other fee income: based on actual income and revenue / funds under management within the financial year.
- Discount rates: reflects management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows
- Property values of the funds / properties under management for Abacus Funds Management Limited: based on the fair value of properties
- Selling costs: management's estimate of costs to sell the funds / properties under management

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

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

- e. For Abacus Funds Management Limited, a pre-tax discount rate of 8.60% (2020: 8.60%) and a terminal growth rate of 1.9% (2020: 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 8.40% and a terminal growth rate of 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 2021 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.

As an additional COVID-19 measure, an assessment of available evidence was undertaken to assess whether there was any indication of a significant decline in the value of the underlying assets and property market. The assessment concluded that there has been no material decline in asset values in the year.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**22. BUSINESS COMBINATION**

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

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

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

**Revenue and profit contributions**

From the date of acquisition to 30 June 2021, the acquired Storage King business contributed revenues of \$11.8 million and net profit after tax of \$1.7 million to the Group. If the combination had taken place at the beginning of the year, the Storage King business would have contributed revenue of \$18.3 million and net profit after tax of \$3.0 million to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 23. 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 2020.

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

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

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

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### (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 2021. The significant new standards or amendments are outlined below:

- AASB 2020-1 AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective from 1 January 2023)

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The 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 from 1 January 2022)

The amending standard made amendments to the following standards and conceptual framework:

#### *Reference to the Conceptual Framework – Amendments to AASB 3*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of AASB 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 or Interpretation 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in AASB 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments apply prospectively and the impact of this amendment continues to be assessed.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

##### *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. The amendments are not expected to have a material impact on the Group.

##### *IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

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

The 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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (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 adoption of AASB 10 resulted in the consolidation of Abacus Wodonga Land Fund. This is due to the combination of the Group's role as responsible entity and its exposure to variable returns arising from its collective equity and loan investments in these funds and certain guarantees.

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.

Non-controlling interests represent those equity interests in Abacus Wodonga Land Fund, which has been wound up during the year, that are not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position.

#### (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**

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**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(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 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(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 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(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 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(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 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(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.

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.



**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

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

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.

***Licensing 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.

***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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (p) Goodwill and intangibles (continued)

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

|   | Brand and trademarks | Licencing and management agreements                                 | Software   |
|---|----------------------|---|--|
| <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 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.

##### *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.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(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 security holders but are retained to be offset against any future realised capital gains.

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

**(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.

**(w) Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Upon classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell with the exception of investment properties which are valued in accordance with Note 23(n).

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A segment, entity or operation disposed of or wound up qualifies as discontinued operation if it is a component of the Group that represents a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(x) 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.

**(y) 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, ASPT and AHT are not liable to Australian income tax provided security holders 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, ASOL and its Australian resident wholly-owned subsidiaries and AHL and its Australian resident wholly-owned subsidiaries have formed separate tax consolidation groups. AGHL, ASOL and AHL 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
- 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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

### 23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (y) Taxation (continued)

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% (2020: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2020: 28%).

#### *Goods and services tax (GST)*

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2021

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(z) Earnings per stapled security (EPSS)**

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

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

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

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

**(za) 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 2021

**24. AUDITOR'S REMUNERATION**

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | \$               | \$               |
| Amounts received or due and receivable by Ernst & Young Australia:   |                  |                  |
| - Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities  | 1,100,000        | 1,180,000        |
| - Services required by legislation to be provided by the auditor   |                  |                  |
| - compliance services  | 39,150           | 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 | 71,470           | 176,300          |
| - Other services   |                  |                  |
| - due diligence services   | 46,350           | -                |
| <b>Total</b>   | <b>1,256,970</b> | <b>1,395,450</b> |

**25. EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the financial year end:

- The divestment of a 50% interest in Abacus 710 Collins Street Trust which owns the office building at 710 Collins Street Melbourne VIC was completed for \$55.9 million.
- The acquisition of a 1/3<sup>rd</sup> interest in the property known as "Myer Melbourne", 314-336 Bourke Street, Melbourne VIC was completed for \$135.2 million excluding transaction costs.
- The acquisition of a portfolio of five self storage assets managed by Storage King, being three mature facilities located in Chatswood, Artarmon and St Leonards, one facility in the later stage of stabilisation located in Dee Why, and one recently developed facility located in Pymble was completed for \$160.0 million excluding transaction costs.
- Abacus increased its banking facility limits by an additional \$500.0 million. Facility pricing is unchanged.
- An additional distribution of 0.50 cents per security for the half period ended 30 June 2021 is declared on 18 August 2021. The provision for the additional distribution has not been recognised in the statement of financial position at 30 June 2021 as the additional distribution is declared subsequent to the financial year end.

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 2021 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 23(b); and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board.



Myra Salkinder  
Chair  
Sydney, 18 August 2021



Steven Sewell  
Managing Director



# Independent auditor's report to the members of Abacus 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 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

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

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

### Key audit matters

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

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

## Investment Properties

### Why significant

The Group's total assets include investment properties 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. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a significant change to the valuation of investment properties.

Two approaches are generally used: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the valuers derive their best estimate of the value at a point in time.

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

Given the market conditions at balance date, some independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021.

We have, therefore, considered this a key audit matter due to the number of judgments required in determining fair value. For the same reasons we consider it important that attention is drawn to the information in Note 5 in assessing the property valuations at 30 June 2021.

### How our audit addressed the key audit matter

The valuation of investment properties is inherently subjective given there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2021 has resulted in a wider range of possible values than at past valuation points.

Our audit procedures included the following:

- We discussed the following matters with management:
  - movements in the Group's investment property portfolio;
  - changes in the condition of each property;
  - controls in place relevant to the valuation process; and
  - the impact that COVID-19 has had on the Group's investment property portfolio including rent abatements offered to tenants and tenant occupancy risk arising from changes in the estimated lease renewals.
- On a sample basis, we performed the following procedures for selected properties:
  - Evaluated the key valuation assumptions and agreed passing rental income to tenancy schedules. These assumptions and inputs included the adopted capitalisation rate and a number of leasing assumptions including market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure. We assessed the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
  - Assessed whether COVID-19 relief provided to tenants had been factored into the valuations and that changes in tenant occupancy risk were also considered.
  - Tested the mathematical accuracy of valuations.
  - Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies, in particular changes made as a result of COVID-19.



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#### Why significant

#### How our audit addressed the key audit matter

- Where relevant we compared the valuation against comparable transactions utilised in the valuation process.
- Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset. We considered the reports of the independent valuers and the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rate and future forecast rentals.
- Assessed the qualifications, competence and objectivity of the valuers.
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2021 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been disclosed as a subsequent event in Note 25.
- We have considered the associated financial report disclosures, in particular those relating to valuation uncertainty.



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## Property Loans

### Why significant

The Group provides mortgage loans to external parties for which the underlying security is either investment property or development property assets. These loans are carried at either fair value or amortised cost, for which an expected credit loss is assessed.

An assessment is undertaken to determine whether loans are to be carried at fair value or amortised cost with loans containing a profit share component being carried at fair value.

As at 30 June 2021, all of the mortgage loans held by the Group were carried at fair value.

The assessment of the valuation of the loans is subject to a series of complex judgements. The assessment of value is determined with reference to the value of the underlying security.

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

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in determining the carrying value of loans and the market conditions at 30 June 2021.

We 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 7 in assessing the valuation of the loans at 30 June 2021.

Disclosure of accounting policy related to property loans is included in Note 23(k) of the financial report.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed whether the classification of each mortgage loan as either amortised cost or fair value was in accordance with Australian Accounting Standards based on the underlying loan terms.
- For a sample of loans where a valuation of the underlying security was obtained by the Group as an input to the loan value, we assessed the valuation by performing procedures consistent with those performed on Investment property valuations referred to in the preceding key audit matter.
- We assessed the Group's methodology in determining the fair value of the loans and re-performed the Group's calculations.
- We assessed the key inputs into the fair value model including:
  - Assessed completeness of the loans included in the calculation;
  - Verified cross-collateralisation of mortgage loans to loan documentation;
  - Agreed the collateral values to the respective external valuations; and
  - Performed sensitivity analyses in relation to the key forward looking assumptions including timing of loan repayment.
- We evaluated the classification of loans between current and non-current based on the status of the underlying property supporting recoverability and the expected timing of settlement.
- We have considered whether there have been any indicators of material changes in valuations of underlying security from 30 June 2021 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment.
- We have considered the associated financial report disclosures, in particular those relating to valuation uncertainty.

## Acquisition of Storage King

### Why significant

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

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

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

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

Disclosure of business combination and the goodwill arising on the acquisition is included in Note 22 of the financial report.

Disclosure of the Group's accounting policy related to goodwill and intangibles is included in Note 23(p) of the financial report.

### How our audit addressed the key audit matter

Our audit procedures included the following:

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

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the directors for the financial report

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

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

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

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

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

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

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the audit of the Remuneration Report

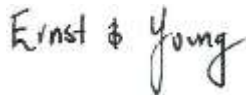
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 27 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Abacus Group Holdings Limited for the year ended 30 June 2021, 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  
18 August 2021



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