

# Appendix 4E

## Abacus Property Group

(comprising Abacus Group Holdings Limited and its controlled entities, Abacus Trust and its controlled entities, Abacus Group Projects Limited and its controlled entities, Abacus Income Trust 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 2023

### Results for announcement to the market

(corresponding period: year ended 30 June 2022)

Total revenues and other income	up	12.2%	to	\$371.2m
Net profit after income tax expense attributable to stapled security holders	down	95.1%	to	\$25.5m
Funds from operations ("FFO") <sup>(1)</sup>	up	8.8%	to	\$175.0m

(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, 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), other non-recurring adjustments deemed significant on account of their nature and non-FFO tax benefit/expense.

	30 June 2023	30 June 2022
Basic earnings per security (cents)	2.85	61.11
Basic funds from operations per security (cents)	19.58	19.01
Distribution per security (cents - including proposed distribution)	18.40	18.00
Weighted average securities on issue (million)	893.5	846.3

Distribution	per stapled security
June 2023 half year	9.40 cents
This distribution was declared on 19 June 2023 and will be paid on 31 August 2023.	
Record date for determining entitlement to the distribution	3 July 2023

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 2023.

Details of individual and total distribution payments	per stapled security	Total
Half December 2022 distribution paid 28 February 2023	9.00	\$72.8m
The distribution was paid in full by Abacus Trust and Abacus Storage Property Trust which do not pay tax, hence there were no franking credits attached.		

	30 June 2023	30 June 2022
Net tangible assets per security <sup>(2)</sup>	\$3.70	\$3.85

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

### Distribution Reinvestment Plan (DRP)

The Group's Distribution Reinvestment Plan (DRP) will not apply to the final distribution. Information on the terms of the DRP is available from our website [www.abacusgroup.com.au](http://www.abacusgroup.com.au).



FINANCIAL REPORT  
30 June 2023

**ABACUS**

# ANNUAL FINANCIAL REPORT

30 JUNE 2023

## 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

### Directors of

#### Abacus Group Holdings Limited:

Myra Salkinder, Chair

Steven Sewell, Managing Director

Trent Alston

Mark Haberlin

Sally Herman

Jingmin Qian

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### Company Secretary:

Belinda Cleminson

### Auditor (Financial and Compliance Plan):

Ernst & Young

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SYDNEY NSW 2000

### Custodian:

Perpetual Trustee Company Limited

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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 2023. It is also recommended that the report be considered together with any public announcements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

## **DIRECTORS' REPORT**

**30 JUNE 2023**

The Directors of Abacus 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 2023.

### **PRINCIPAL ACTIVITIES AND STRUCTURE**

The principal activities of Abacus Property Group during the year were investment in and operation of Self Storage and investment in Commercial properties (office and other). 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.

The operating and financial review is intended to convey the Directors’ perspective of Abacus Property Group and its operational and financial performance. It sets out information to assist securityholders to understand and interpret the financial statements included in this report prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards (“IFRS”), as issued by the Australian Accounting Standards Board (“AASB”) and the International Accounting Standards Board (“IASB”) respectively. It should be read in conjunction with the financial statements and accompanying notes.

#### **Listed Structure / Entities**

The listed Abacus Property Group is a diversified property group that operates predominantly in Australia. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL (collectively “Abacus” or “the Group”) and its securities trade on the Australian Securities Exchange (“ASX”) as ABP. Abacus was listed on the ASX in November 2002 and its market capitalisation was over \$2.4 billion at 30 June 2023. 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 is also included in the FTSE EPRA NAREIT Global Real Estate Index Series.

Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt with without the others and are traded together on the ASX as Abacus securities. An Abacus security consists of one share in AGHL, one unit in AT, one share in AGPL, one unit in AIT, one share in ASOL and one unit in ASPT. A transfer, issue or reorganisation of a share or unit in any of the component parts requires, while they continue to be stapled, a corresponding transfer, issue or reorganisation of a share or unit in each of the other component parts.

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.

#### **Abacus Property Group Consolidation**

AGHL has been identified as the parent entity of the Group. The financial report of the Group for the year ended 30 June 2023 comprises 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.

#### **Post Balance Date De-Stapling**

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

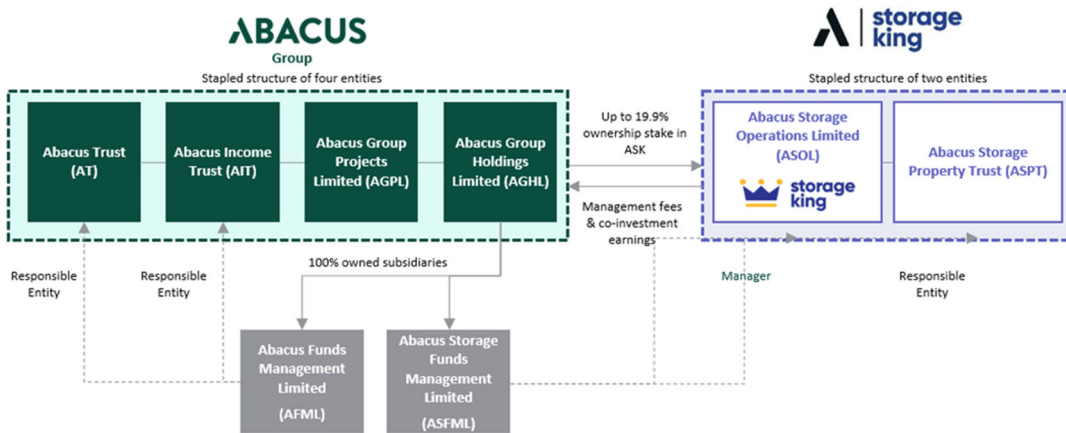
- Abacus Group (which trades under ASX:ABG) comprising AGHL, AT, AGPL and AIT; and
- Abacus Storage King (which trades under ASX:ASK) comprising ASOL and ASPT.

**DIRECTORS' REPORT**

30 JUNE 2023

**Post Balance Date De-Stapling (continued)**

**Abacus Group and Abacus Storage King structures post de-stapling**



These two groups are reported in the segment information note on page 60.

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

The de-stapling allows for the creation of Abacus Storage King as a dedicated Self Storage operating platform and real estate investment group. It will also provide Abacus Property Group Securityholders with sector specific exposure to the Storage King operating platform and to a \$3.1 billion Investment Portfolio including 131 Self Storage Properties and Other Investments. Refer to the diagram on page 3 for an overview of Abacus Group and Abacus Storage King structures post de-stapling.

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

**OPERATING AND FINANCIAL REVIEW**

**GROUP STRATEGY**

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

DIRECTORS' REPORT

30 JUNE 2023

GROUP STRATEGY (continued)



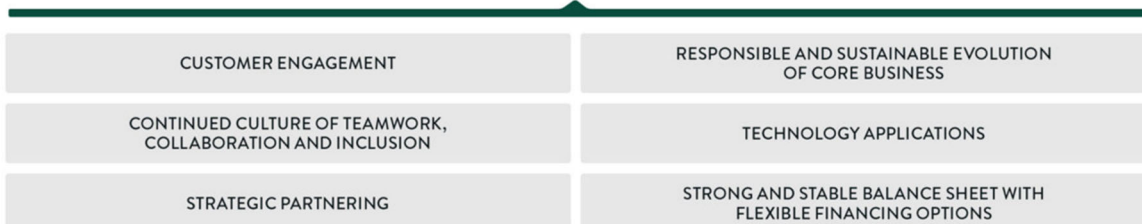
CORE BUSINESS



ENABLERS



AREAS OF FOCUS AND OPPORTUNITY



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**DIRECTORS' REPORT****30 JUNE 2023****GROUP STRATEGY (continued)**

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

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

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

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.

Abacus Group is positioned to provide stable FFO growth over the medium to long term by using its active asset management capabilities, strong relationships with customers and our ability to capitalise on value-accretive investment opportunities.

The current economic environment is being driven by high inflation and rising interest rates. This may provide Abacus opportunities to acquire core assets with medium to long term growth prospects. Despite the challenging economic conditions, we believe our Commercial Office portfolio remains robust, given that the majority of the Group’s investments:

- 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; and
- Focus on the responsible and sustainable evolution of core business practices.

## DIRECTORS' REPORT

30 JUNE 2023

### GROUP RESULTS SUMMARY

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

The rising cost of capital and changing macroeconomic environment increased capitalisation rates throughout the Commercial property sector. Abacus' diversified Commercial portfolio of high quality assets has enabled us to maintain occupancy rates over the period with our principal Commercial portfolio recording 95.1% (2022: 95.0%). In a more challenged economic environment, we remain focused and disciplined on directing capital towards assets that provide potential for enhanced income growth to generate increased total returns and create medium to long term value.

	2023	2022
Revenue (\$ million)	359.7	319.6
Total income (\$ million)	371.2	330.9
Statutory net profit (\$ million)	25.5	517.2
Funds from operations (\$ million)	175.0	160.9
Funds from operations per security (cents)	19.58	19.01
Underlying EBIT (\$ million)	210.0	235.5
Underlying EBIT per security (cents)	24.82	26.36
Distributions per security (cents)	18.40	18.00
Interest cover ratio	3.9x	6.1x
Weighted average securities on issue (million)	893.5	846.3

The above table includes income from discontinued operations.

The Group earned a statutory net profit after tax of \$25.5 million for the year ended 30 June 2023 (2022: \$517.2 million). This profit has been calculated in accordance with Australian Accounting Standards. The decrease in the Group's statutory net profit compared to the prior period was principally due to:

- a decrease in the fair value of the Commercial investment property portfolio by \$247.6 million (2022: gain of \$40.3 million) with capitalisation rates expanding 38bps to 5.71%; as well as
- reduced fair value gains of \$150.3 million (2022: gain of \$305.2 million) across the Self Storage investment portfolio.

Despite the above economic headwinds, Abacus' portfolio remained resilient recording FFO growth of 8.8% and a full year distribution per security, in line with guidance, of 18.4cps (2022: 18.0cps).

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



## DIRECTORS' REPORT

30 JUNE 2023

### GROUP RESULTS SUMMARY (continued)

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), other non-recurring adjustments deemed significant on account of their nature and non-FFO tax benefit/expense.

The reconciliation between the Group's statutory profit and FFO is as follows:

	2023 \$'000	2022 \$'000
<b>Consolidated statutory net profit after tax attributable to members of the Group</b>	<b>25,495</b>	<b>517,165</b>
<b>Adjust for:</b>		
Net change in fair value of investment properties derecognised	9,157	1,035
Net change in fair value of investment properties held at balance date	97,313	(345,550)
Net change in fair value of investments and financial instruments held at balance date	(15,631)	(17,907)
Net change in fair value of investment properties included in equity accounted investments	16,610	(4,321)
Impairment charges	-	4,903
Depreciation on owner occupied property, plant and equipment	4,213	4,307
Net change in fair value of derivatives	6,661	(28,101)
Amortisation of rent abatement incentives	13,480	9,687
Amortisation of other tenant incentives, finance costs and other	12,497	5,562
Straightline of rental income	(2,127)	(1,881)
Movement in lease liabilities	(591)	(1,478)
Net tax expense on non-FFO items	7,905	17,455
<b>Abacus Funds From Operations ("FFO")</b>	<b>174,982</b>	<b>160,876</b>
<b>Basic earnings per security (cents)</b>	<b>2.85</b>	<b>61.11</b>
<b>Basic FFO per security (cents)</b>	<b>19.58</b>	<b>19.01</b>
<b>Distribution per security (cents - including proposed distribution)</b>	<b>18.40</b>	<b>18.00</b>
<b>Weighted average securities on issue (million)</b>	<b>893.5</b>	<b>846.3</b>

This reconciliation has not been reviewed by the Group's auditor.

### Capital management and allocation

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

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

## DIRECTORS' REPORT

30 JUNE 2023

### GROUP RESULTS SUMMARY (continued)

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

During the year, the Group continued to focus its investment capital on acquisitions across the Self Storage and Commercial property sectors in line with its capital allocation strategy. This strategy is focused on growing recurring earnings. In the year ended 30 June 2023, the Group's net property income increased by 14.2% to \$252.9 million (2022: \$221.4 million).

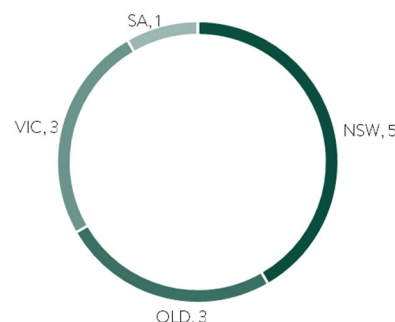
In the Commercial sector, the Group purchased the remaining 50% interest in 324 Queen Street, Brisbane QLD for \$93.8 million, settling in August 2022.

During the year Abacus divested three non-core properties for a total consideration of \$97.9 million. The divested properties are listed below:

- 33 Queen Street, Brisbane QLD
- 247 Adelaide Street, Brisbane QLD
- 187 Todd Road, Port Melbourne VIC

In the Self Storage sector, the Group expanded its portfolio of investments with acquisitions sourced from on market campaigns, as well as successfully completing various off market transactions via the broader Storage King third party licensee and industry relationships. In total, for the year, the Group invested \$159.1 million including an additional 12 Self Storage sites, being:

- NSW: Chatswood, Campbelltown, Carlton, Croydon, Kogarah
- QLD: Loganholme, Capalaba, Currumbin
- VIC: Dandenong, Mulgrave, Glen Iris
- SA: Darlington



The Group has also committed to purchase five additional Self Storage properties (not pictured above) for \$37.5 million which further cements our standing as a high conviction investor in the Self Storage property market.

### Key capital metrics of the Group are:

	2023	2022
<b>Total assets (\$ million)</b>	\$5,606.2	\$5,407.1
<b>Gearing (%)</b>	33.2%	28.7%
<b>Net assets (\$ million)</b>	\$3,361.7	\$3,501.1
<b>Net tangible assets (\$ million)</b>	\$3,302.3	\$3,432.4
<b>NTA per security (\$)</b>	\$3.70	\$3.85

The increase in total assets of the Group by 3.7% reflects the increase in the net acquisitions during the year. The decrease in net assets of the Group by 4.0% primarily reflects the revaluation loss of the Commercial property portfolio during the year.

The de-stapling referenced in the Group Strategy section, enables the optimisation of Abacus Group's capital structure. As a result, Abacus Group's balance sheet remains strong with gearing post de-stapling within the Board's target gearing limit of 35%. The de-stapling is expected to provide balance sheet capacity to Abacus Group to fund growth initiatives including acquisitions and developments.

# DIRECTORS' REPORT

30 JUNE 2023

## KEY SEGMENT RESULTS SUMMARY

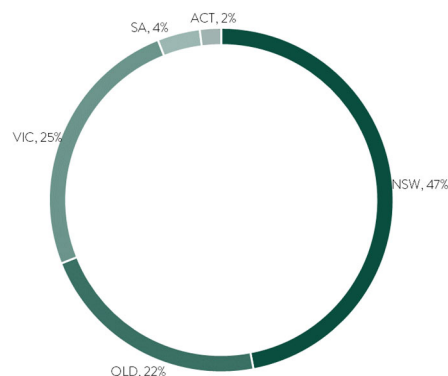
Business activities that specifically contributed to the Abacus' operating performance and financial condition for 2023 were the continuing Commercial and discontinuing Self Storage portfolios and are reported in the segment information note.

### Commercial

The Commercial portfolio consists of 21 assets (2022: 24 assets) and had a total value of \$2.5 billion at year end (2022: \$2.7 billion).

Commercial	
Portfolio Value (\$ million)	\$2,533.8
Number of assets	21
Occupancy <sup>1</sup> (% by area)	95.1%
WALE <sup>1</sup>	4.3 years
WACR <sup>2</sup>	5.71%

1. Excludes development affected assets  
 2. WACR: Weighted Average Capitalisation Rate



The Office sector continued to face challenges throughout 2023 as the future role of 'office space' and 'work from home' continues to develop and bond yields continued to rise during the period, negatively impacting valuations. In the second half of 2023 in particular, we saw these factors contribute to capitalisation rate expansion throughout the Office sector.

Pleasingly, our Office portfolio of 15 assets (2022: 18 assets) was relatively resilient to the market challenges, with occupancy holding steady at 95.0% (2022: 94.7%). The resilience in our occupancy and income growth levels were supported by our diversified lease profile with WALE of 3.7 years (2022: 3.8 years) and high-grade Office buildings.

### Key Office Portfolio attributes:

#### Market profile: Geography



#### Asset profile: Grade



#### Asset profile: Life cycle



#### Customer profile: Top 5 industries



#### Customer profile: SME customers



## DIRECTORS' REPORT

30 JUNE 2023

### KEY SEGMENT RESULTS SUMMARY (continued)

The **Retail sector** saw strong momentum during 2023, with high occupancies throughout our portfolio of four assets. Abacus' 2023 Retail occupancy rate was high at 95.2% (2022: 95.6%), with a weighted average lease expiry of 5.8 years (2022: 6.2 years). Strong retail sales throughout the majority of 2023, despite increasing cost of living pressures on consumers supported occupancy and rents.

Overall, Abacus' Commercial portfolio delivered a segment result of \$202.5 million loss for the year ended 30 June 2023 (2022: \$119.5 million gain) which can be mainly attributed to fair value loss of investment properties \$247.6 million (2022: \$40.3 million gain).

The Commercial portfolio has a stable income growth profile, supported by high occupancy of 95.1% and a diversified lease profile of 4.3 years.

### Commercial Valuations

The Commercial investment property portfolio was revalued at year end which resulted in a loss of \$247.6 million. The investment property portfolio's overall weighted average capitalisation rate expanded 38 basis points from 5.33% in 2022 to 5.71% in 2023. The Commercial portfolio (excluding equity accounted properties) was valued at \$2.1 billion at 2023 year-end across 18 assets (2022: \$2.3 billion across 20 assets).

As part of the portfolio valuation process for the year ended 30 June 2023, all investment properties (excluding equity accounted properties) were independently valued (2022: 60%).

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.

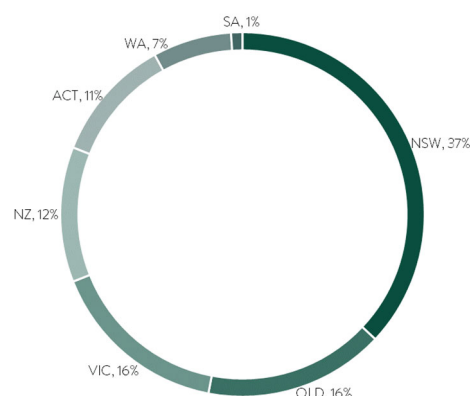
### Self Storage

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

#### Self Storage

Portfolio Value (\$ million)	\$3,072.4
Number of assets	131
Occupancy <sup>1,4</sup> (% by area)	91.3%
WACR <sup>2</sup>	5.57%
RevPAM <sup>1,3,4</sup>	\$319 psqm
Average rate <sup>1,4</sup>	\$349 psqm

1. Established portfolio
2. WACR: Weighted Average Capitalisation Rate
3. Revenue per available square metre
4. Average over last 12 months (by area)



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

The Group's Self Storage portfolio delivered a segment result of \$304.0 million for the year ended 30 June 2023, down 30.5% on 2022 which can be mainly attributed to lower Self Storage fair value gains. As a result of the de-stapling the Self Storage portfolio has been classified as discontinued operations in the financial statements.

As at 30 June 2023 the Self Storage portfolio equated to \$3,072.4 million which is made up of 131 assets (trading and development sites), reflecting an increase of 12 facilities during the period.

## DIRECTORS' REPORT

30 JUNE 2023

### KEY SEGMENT RESULTS SUMMARY (continued)

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

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

### Self Storage Development

With an increased focus on capital allocation, the development pipeline of planned Self Storage assets currently numbers 15 assets, with a combined carrying value of \$182 million. These assets are at various stages of development and are anticipated to be delivered to the established portfolio over the next few years as they are completed to commence trading, and reach forecast optimum occupancy levels. It is anticipated that these assets will enhance the average rental rate and RevPAM across the established portfolio over time.

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

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

### Self Storage Valuations

As part of the 2023 valuation process, 131 Self Storage facilities out of 131 or 100% by number were independently valued during the year to 30 June 2023. The valuation process resulted in a net full year revaluation gain of \$150.3 million (2022: \$305.2 million gain).

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

### FUTURE PROSPECTS

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

The strategy for continuing operations, Abacus Group, will be to continue targeting the acquisition of well-located Commercial properties that will be held for the long term. Increasing exposure to this asset class is expected to enhance Abacus Groups' ability to grow recurring revenue over the longer term.

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

## DIRECTORS' REPORT

30 JUNE 2023

### KEY RISKS

#### Key Risk Areas

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

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

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

Key Risk	Impact of risk	How Abacus manages it
<b>Strategic Risk</b> Abacus activities and transactions are aligned with the approved strategy so to ensure that financial and operational results are within expected and planned outcomes.	<ul style="list-style-type: none"> <li>• Lower than expected return on capital</li> <li>• Reduced investor sentiment</li> </ul>	The Abacus Board and management review and confirm Abacus strategy and risk profile on a periodic basis and has a number of processes and controls to ensure the strategic direction of Abacus is maintained.
<b>Governance Risk</b> Abacus is reliant on an effective and balanced governance approach to people, conduct, and processes through oversight, controls, checks, and subject matter experts.	<ul style="list-style-type: none"> <li>• Loss of income or asset values</li> <li>• Financial performance of assets</li> <li>• Financial damage</li> </ul>	Abacus has a number of governance controls and processes implemented across Abacus, with some aspects including monitoring, reporting, and training in respect of conduct, staff skills, and processes.
<b>Regulatory, Compliance &amp; Legal Risk</b> Abacus is responsive to regulatory change and strives to operate in accordance with its regulatory and legal obligations.	<ul style="list-style-type: none"> <li>• Increased compliance costs</li> <li>• Regulatory restrictions impacting on business operations</li> </ul>	Abacus has a number of controls and arrangements in place to ensure compliance with its legal and regulatory obligations. Some aspects include monitoring, testing, and reviewing through dedicated compliance plans, which are also subject to external review.

## DIRECTORS' REPORT

30 JUNE 2023

### KEY RISKS (continued)

Key Risk	Impact of risk	How Abacus manages it
<p><b>Operational Risk – Asset and Development Management, Acquisition and Capital Investment</b></p> <p>Abacus' operational systems are developed and implemented with operational controls embedded to ensure best practice and the opportunity for ongoing success.</p>	<ul style="list-style-type: none"> <li>• Financial performance of assets</li> <li>• Reduced investor sentiment</li> <li>• Financial damage</li> </ul>	<p>Abacus has a number of controls and processes in place to ensure assets are maintained to the required standard and in accordance with documented asset management protocols. Abacus has documented processes for the assessment of capital expenditure, development activities and property acquisitions and disposals.</p>
<p><b>Operational Risk – Cyber and Information Technology</b></p> <p>Abacus aims to leverage technology and innovation to enhance the customer experience while developing responsive strategies to prevent cyber incidents and attacks.</p>	<ul style="list-style-type: none"> <li>• Lost productivity as a result from a material critical technology disruption</li> <li>• Reduced market competitiveness from a failure to adapt to changes in advancements in technology</li> <li>• Regulatory restrictions impacting on business operations</li> </ul>	<p>Abacus has a number of controls, arrangements, and recovery plans in place over information and technology assets, as well as active monitoring of its digital footprint. Abacus also develops strategies to continue to incorporate technological innovations into assets. Regular training is provided to staff to ensure continued awareness of cyber risks.</p>
<p><b>Operational Risk – Health and Safety</b></p> <p>Ensuring the health, safety and wellbeing of Abacus' people is of utmost importance to the success of its strategy.</p>	<ul style="list-style-type: none"> <li>• Material harm to people</li> <li>• Reputational impact</li> <li>• Civil and criminal penalties and regulatory restrictions imposed</li> <li>• Costs and effort to remediate</li> </ul>	<p>Abacus has arrangements and controls in place to ensure that safety risks, hazards, and incidents are reported and addressed, and that assets have embedded systems and processes to ensure safe operation. The Board has a Sustainability and WHS sub-committee to monitor these risks.</p>
<p><b>Operational Risk – People and Culture</b></p> <p>The motivation, high-performance and capability of Abacus' people are integral to the success of its business outcomes.</p>	<ul style="list-style-type: none"> <li>• Workforce costs</li> <li>• Workforce productivity</li> <li>• Loss of corporate knowledge</li> <li>• Ability to attract and retain talent</li> </ul>	<p>Abacus has a number of controls, processes, and strategies in place to ensure people recruited are aligned to Abacus' culture and are continually developed to meet the needs of the business and ensure appropriate succession planning. Abacus also regularly monitors and maintains a positive workplace culture in line with its values. All staff are required to adhere to the Code of Conduct.</p>

## DIRECTORS' REPORT

30 JUNE 2023

### KEY RISKS (continued)

Key Risk	Impact of risk	How Abacus manages it
<p><b>Operational Risk – Strategic Partnerships and Management Arrangements</b></p> <p>Maintaining professional relationships with like minded property groups, licensees and service providers is critical to the success and growth of the business.</p>	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Financial damage</li> <li>• Inability to attract new partnerships</li> </ul>	<p>Abacus has periodic meetings to ensure strategic alignment with our property co-owners and foster a collaborative approach to growth opportunities. Abacus has controls, processes and strategies in place to ensure that obligations to be provided by third parties to Abacus and obligations to be provided by Abacus to others are appropriately discharged.</p>
<p><b>Environmental and Sustainability Risk</b></p> <p>Climate change is expected to affect Abacus' assets while also presenting an opportunity to prepare for and build resilience across its portfolio.</p>	<ul style="list-style-type: none"> <li>• Higher operating costs or requiring remedial capital costs, leading to a potential devaluation</li> <li>• Reputational damage</li> <li>• Reduced investor sentiment</li> </ul>	<p>Abacus has developed and implemented a number of controls and strategies to ensure that environmental issues are incorporated into decision-making process when acquiring assets and as part of the ongoing management of each asset. Active strategies are in place to ensure that insurance cover is optimised for climate risk affected properties.</p>
<p><b>Market and Investment Risk</b></p> <p>Abacus incorporates appropriate oversight and controls over key decisions in acquisitions, disposals, capital management, and valuations so to ensure the best risk adjusted returns are achieved.</p>	<ul style="list-style-type: none"> <li>• Lowered expected returns on investment</li> <li>• Reduced investor sentiment</li> </ul>	<p>Abacus has a number of controls and processes in place that reviews and approves significant transactions and assesses their alignment with the strategy. In addition, other aspects include controls over capital planning, forecasting, budgeting, and development activities.</p>
<p><b>Liquidity, Capital Management, and Financial Performance and Reporting Risk</b></p> <p>Abacus maintains a diversified capital structure to support stable investor returns as well as appropriate access to equity and debt funding.</p>	<ul style="list-style-type: none"> <li>• Limited capacity to execute strategy</li> <li>• Increased cost of funding</li> <li>• Reduced availability of debt financing</li> </ul>	<p>Abacus has a number of controls and processes in place over capital management to monitor, manage and stress test property valuations, interest rate changes, funding requirements, liquidity buffers, and credit risk with regular reporting to the Board and internal Committees.</p> <p>Abacus has documented policies and operational procedures with controls embedded over material risks as well as external advisory in place over treasury activities including interest rate hedging.</p>



## **DIRECTORS' REPORT**

**30 JUNE 2023**

### **KEY RISKS (continued)**

#### **Environmental, Social and Governance Risks**

Abacus continues to progress its governance policies and procedures regarding Environmental, Social and Governance ('ESG') risks across the business. We recognise the growing importance of ESG across all facets of the business and as such it remains a key focus area for our Executive Committee, Board and Sustainability Committee. We continue to progress with our net zero emissions target by 2030 currently, with climate related risks being a consideration in all investment decisions across the business. We continue to progress our understanding of the operating and capital costs for each of our properties that may be impacted by climate change. Being a good corporate citizen underpins our social responsibilities and we adhere by relevant laws and Abacus policies to mitigate social risks, with modern slavery representing a major risk in this area. Abacus also practices strong governance throughout the business, with robust governance policies in place that provide the framework for decision-making within the Group.

### **DIRECTORS AND SECRETARY**

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

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

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

Myra is a member of the Abacus Property Group Sustainability and WHS Committee and Nomination Committee.  
Tenure: 12 years 3 months

#### **Steven Sewell** BSc                              **Managing Director**

Steven joined Abacus Property Group in October 2017, bringing over 20 years' experience in real estate funds management, asset management, equity and debt capital markets and M&A transactions. Steven's prior career experience is in listed and unlisted real estate funds management businesses, across various real estate sectors, providing Commercial experience and insight in relation to institutional investors, the whole Abacus Property Group's business and sector specialised investment strategies, capital allocation and developing third party capital relationships. Steven was appointed Abacus Property Group's Managing Director in April 2018, and is a member of Property Champions of Change and a member and past Chairman of the Shopping Centre Council of Australia. Steven is a member of the Abacus Property Group Nomination Committee.

Tenure: 5 years 2 months

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

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

Trent is Chair of the Abacus Property Group People and Performance Committee and a member of the Abacus Property Group Audit and Risk Committee and Nomination Committee.

Tenure: 3 year 9 months

## DIRECTORS' REPORT

30 JUNE 2023

### DIRECTORS AND SECRETARY (continued)

#### **Mark Haberlin** BSc (Eng) Hons

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

Mark is Chair of the Abacus Property Group Audit and Risk Committee and a member of the Abacus Property Group People and Performance Committee and Nomination Committee.

Tenure: 4 years 7 months

#### **Sally Herman** BA, GAICD (appointed December 2022)

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

Sally is a member of the Abacus Property Group People and Performance Committee, Sustainability and WHS Committee and Nomination Committee.

Tenure: 6 months

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

Jingmin is a Non-Executive Director and has significant expertise in the property, infrastructure and investment sectors as well as rich experience in Asia, a director of Jing Meridian and specialises in advising boards and senior management on investment, cross-cultural management and governance. Jingmin has served as a member of the business liaison program of the Reserve Bank of Australia. Jingmin is a Non-Executive Director of IPH Limited, a trustee of HMC Capital Partner Fund, a member of Macquarie University Council, and Vice President of the Australia China Business Council. Jingmin is a member of Chief Executive Women.

Jingmin is Chair of the Abacus Property Group Sustainability and WHS Committee and a member of the Abacus Property Group Audit and Risk Committee and Nomination Committee.

Tenure: 6 years

#### **Mark Bloom** BCom, B.Acc, CA (retired 3 August 2023)

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: 2 years

## DIRECTORS' REPORT

30 JUNE 2023

### DIRECTORS AND SECRETARY (continued)

**Holly Kramer** BA (Hons) Econ/Political Science, MBA (retired on 23 November 2022)

Holly was a Non-Executive Director and a member of the People Performance and Sustainability & WHS Committees.

**Belinda Cleminson** Company Secretary (effective 14 October 2022)

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

**Rebecca Pierro** Company Secretary (resigned 14 October 2022)

### Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of AGHL, AFML (the Responsible Entity of AT and AIT), AGPL, ASFML (the Responsible Entity of ASPT) and ASOL, held during the year and the number of meetings attended by each director were as follows:

	Board		Audit & Risk Committee		People Performance Committee		Sustainability & WHS Committee		Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Salkinder	11	11	-	-	-	-	4	4	2	2
T Alston	11	11	4	4	4	4	-	-	2	2
M Haberlin	11	10	4	4	4	4	-	-	2	2
J Qian	11	11	4	4	-	-	4	4	2	2
S Sewell	11	11	-	-	-	-	-	-	2	2
M Bloom	11	11	4	4	4	4	-	-	2	2
S Herman	7	7	-	-	2	2	2	1	1	1
H Kramer	3	3	-	-	2	2	4	4	1	1

### Indemnification and Insurance of Directors and Officers

The 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 2023

### REMUNERATION REPORT (audited)

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

On behalf of the People Performance Committee and the Board, I am pleased to present the Remuneration Report for FY23.

The report summarises Abacus's performance and remuneration outcomes for FY23, the executive remuneration framework for FY23 and beyond, and any increases to executive and non-executive remuneration for FY23.

Last year we said that we were mindful that our framework may need to evolve as we make further progress with our strategy and evolution, to ensure that it remains fit for purpose.

At the 27 July Extraordinary General Meeting (EGM), securityholders approved Abacus Group (ASX:ABG) (Abacus) de-stapling proposal to establish a new ASX listed Self Storage REIT now known as Abacus Storage King REIT (ASK). ASK is an externally managed REIT with a majority independent Board of Directors. Abacus is the manager of ASK and retains a minority interest of up to 19.9% of the stapled securities in ASK.

Abacus's growth in its Self Storage portfolio has been a result of effectively managing and enhancing the Storage King platform to become Australia's most recognised Self Storage brand. Abacus has deployed over \$1.4bn into Self Storage assets over the last five years and determined that this was the right time for the portfolio to be separately listed with its own capital structure.

Post de-stapling, Abacus is positioned to provide stable earnings and opportunities for growth for securityholders. Abacus continues to own and manage its high quality, eastern seaboard focused \$2.5bn Commercial property portfolio, which is diversified by market, asset grade, asset life cycle, customer industry and customer profile.

#### FY23 Performance

Abacus is a strong asset backed, annuity style business model where capital is directed towards assets that provide potential for enhanced income growth to create value. Our people, market insight and repositioning capability together with strategic partnering are key enablers of our strategy.

In the last 12 months Abacus has been in a high inflationary environment and had a record RBA pace of rate rises to combat this, which will adversely impact borrowing rates going forward. This means that the cost of capital (including debt) has increased. As such there has and will be future headwinds to Funds from Operations per security which cannot be fully offset by Management's operating performance despite the Group being well hedged at rates substantially below current market levels.

Post de-stapling Abacus Group has prudent levels of gearing, well below the Board's maximum target of 35%.



## **DIRECTORS' REPORT**

**30 JUNE 2023**

### **REMUNERATION REPORT (audited)**

#### **FY23 Remuneration**

Executive Key Management Personnel fixed pay was adjusted only for the Chief Investment Officer and General Counsel (CIO), with an 18.8% increase. This adjustment reflected his increased accountability in the new role.

The Funds from Operations profit result in FY23 was above target requirements against a 40% weighting within the STI balanced scorecard for Executive KMP.

STI awards for Executive KMP correlated with annual performance outcomes against expectations, with payments averaging 83.6% of maximum STI. Twenty-five percent of Executive KMP STI is deferred for a further twelve months. Further details on the STI Plan can be found on page 29.

69.3% of the FY22 LTI grant's first tranche will vest in August 2023 based on FFOPS AAGR. Both the CIO and the CFO are recipients as they were both non KMP at the time of grant.

The legacy Executive Incentive Plan ("Security Acquisition Rights" or "SARs") is expected to vest in September 2023 as a result of sustained performance since grant. This plan has been replaced by the LTI Plan.

#### **FY23 KMP Changes**

From 1 July 2022, Evan Goodridge was promoted to the role of Chief Financial Officer (CFO).

In November 2022, Holly Kramer stepped down from her position on the Board. Holly has served on our board for the last four years and I, along with my fellow directors, would like to sincerely thank Holly for her valuable contribution and leadership during her time on the Board.

In December 2022, Sally Herman was appointed to the Board. Sally joins the Board bringing a wealth of expertise across property, financial services, retail, and manufacturing sectors as a non-executive director.

In anticipation of the de-staple, in June 2023, John O'Sullivan, Stephanie Lai and Karen Robbins were appointed to the Boards of Abacus Storage Funds Management Limited and Abacus Storage Operations Limited. See Table One: Non-Executive Directors (NED).

From 4 August 2023, Nikki Lawson became Fund Manager of ASK.

#### **Impact of de-stapling on incentive awards on foot**

Abacus has various unvested incentive awards on foot which will be impacted by the de-stapling. The Board has determined the treatment of unvested awards on foot with the objective of preserving the overall value of awards following de-stapling, ensuring that participants do not receive a benefit or are disadvantaged by the de-stapling. This treatment applies for employees who either continue to be employed by Abacus Group or by Abacus Storage King while continuing to hold relevant Abacus Property Group Incentive Awards. Details of the treatment for each unvested award on foot impacted by the de-stapling are set out in section 5 of the Remuneration Governance and Framework.

#### **FY24 Changes to remuneration**

Following a review of the LTI framework the Board has resolved to replace the FFO per security growth measure with performance measures based on Relative TSR and EBIT per security CAGR for the FY24 LTI grant. More details of the new arrangements will be provided in this year's notice of Annual General Meeting on 17 November 2023.

**DIRECTORS' REPORT****30 JUNE 2023****REMUNERATION REPORT (audited)****Concluding remarks**

It has been a significant year for Abacus Group and the Board acknowledges the strategic conviction and dedication of the Management team. There are exciting times ahead for the Group and the Board and Management are confident in our readiness to deliver the next phase of growth in our Commercial Property and Abacus Self Storage portfolios.

**Trent Alston****Chair – People Performance Committee**

# DIRECTORS' REPORT

30 JUNE 2023

## REMUNERATION REPORT (audited)

The Board presents the FY23 Remuneration Report for Abacus in accordance with the Corporations Act 2001 and its regulations. This report outlines the key remuneration policies and practices for the year ended 30 June 2023.

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

This remuneration report is set out under the following headings:

SECTION	CONTENTS	PAGE
1.	Who is covered in this report – KMP	21
2.	Remuneration Snapshot FY23	22
3.	FY23: How did we perform?	25
4.	Executive KMP remuneration	26
5.	Remuneration governance and framework	30
6.	Non-Executive Director remuneration	43
7.	Additional required disclosures	47

### 1. WHO IS COVERED IN THIS REPORT – KMP

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

Table 1 – Non-Executive Directors (NED)

NON-EXECUTIVE DIRECTOR	ROLE	BOARDS	COMMENCEMENT	DATE RESIGNED
Myra Salkinder <sup>1</sup>	Chair of the Board	AGHL, AT, AGPL, AIT, ASOL & ASPT		
Trent Alston <sup>1</sup>	Non-Executive Director	AGHL, AT, AGPL, AIT, ASOL & ASPT		
Mark Haberlin <sup>1</sup>	Non-Executive Director	AGHL, AT, AGPL, AIT, ASOL & ASPT		
Sally Herman <sup>1</sup>	Non-Executive Director	AGHL, AT, AGPL, AIT, ASOL & ASPT	16 December 2022	
Jingmin Qian <sup>1</sup>	Non-Executive Director	AGHL, AT, AGPL, AIT, ASOL & ASPT		
Holly Kramer	Non-Executive Director	AGHL, AT, AGPL, AIT, ASOL & ASPT		23 November 2022
Mark Bloom <sup>2</sup>	Non-Executive Director	AGHL, AT, AGPL, AIT, ASOL & ASPT		

**DIRECTORS' REPORT**

**30 JUNE 2023**

**REMUNERATION REPORT (audited)**

NON-EXECUTIVE DIRECTOR	ROLE	BOARDS	COMMENCEMENT	DATE RESIGNED
John O'Sullivan	Non-Executive Director ASK Chair	ASOL & ASPT <sup>3</sup>	13 June 2023	
Stephanie Lai	Non-Executive Director	ASOL & ASPT <sup>3</sup>	13 June 2023	
Karen Robbins	Non-Executive Director	ASOL & ASPT <sup>3</sup>	13 June 2023	

<sup>1</sup> Resigned as director from ASOL & ASPT on 3 August 2023.

<sup>2</sup> Resigned as director from AGHL, AT, AGPL & AIT on 3 August 2023.

<sup>3</sup> ASOL & ASPT formed ASK on 3 August 2023, and the directors subsequently become members of the ASK board.

Table 2 – Executive KMP

EXECUTIVE KMP	ROLE	DATE APPOINTED
Steven Sewell	Managing Director (MD)	
Evan Goodridge	Chief Financial Officer (CFO)	1 July 2022
Gavin Lechem	Chief Investment Officer and General Counsel (CIO)	

**2. REMUNERATION SNAPSHOT FY23**

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

Fixed Remuneration	Short term Incentives Outcomes	Long Term Incentives Outcomes
<p>There were no changes to MD Fixed Remuneration for FY23.</p> <p>The CIO and General Counsel received a 18.8% increase effective 1 July 2022.</p>	<p>The MD received 82.7% of his maximum STI.</p> <p>The average STI outcome for FY23 for Executive KMP was 84% of the maximum based on their balanced scorecard.</p> <p>25% of the STI has been deferred for 12 months for all KMP.</p>	<p>No LTI vested for the MD.</p> <p>The CIO and CFO each received 69.3% of a third of the FY22 grant.<sup>1</sup></p> <p>The MD and CIO have met the minimum security holding requirement (MSH).</p> <p>The CFO is currently at 98% of the MSH with at least 100% being required by June 2026.</p>

<sup>1</sup>The CIO and CFO were granted LTI in 2021 as non KMP with three tranches.



**DIRECTORS' REPORT**

30 JUNE 2023

**REMUNERATION REPORT (audited)**

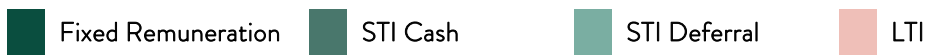
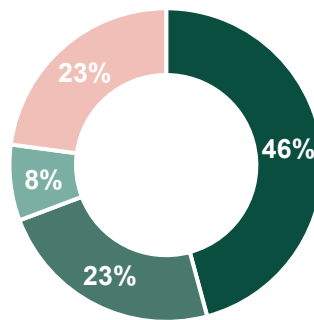
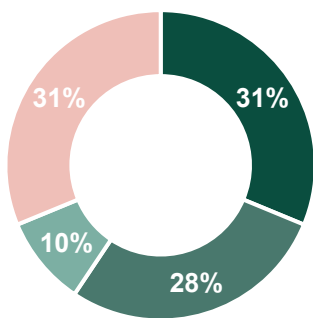
**2.1. Maximum Remuneration Mix**

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

The graph below sets out the remuneration structure and mix at maximum, for the MD and other Executive KMP at Abacus for FY23. The remuneration mix is weighted towards variable remuneration.

Managing Director maximum pay mix.

Other Executive KMP maximum pay mix.



**2.2. Our Remuneration Principles**

Our people are key to our success, providing a wealth of market insight, industry experience and strategic partnering that enables our growth and evolution. The more we nurture and invest in our people, the more we achieve. The Abacus Performance and Reward strategy is guided by the following principles:



**Reward**

Reward and promote the results and behaviours consistent with the Abacus purpose, objectives, and values.



**Balance**

Balanced between financial performance, strategic priorities and continued focus on increasing engagement of our people.



**Alignment**

Alignment of interests to stakeholders to focus on long term sustainable value creation.

## DIRECTORS' REPORT

30 JUNE 2023

### REMUNERATION REPORT (audited)

#### 2.3. FY23 Remuneration Framework

ELEMENT	PURPOSE	LINK TO PERFORMANCE	FY23 CHANGES / OUTCOMES
<b>Fixed Remuneration (FR)</b>	To attract, engage and retain individuals with capability, diversity of thought and experience to continue delivering on our strategy.	Appropriately compensating our employees so that we remain competitive.  Changes to FR are linked to a combination of incumbent skills and experience, and market rates informed by benchmarking.	The CIO and General Counsel received a 18.8% increase to fixed remuneration.
<b>Short Term Incentive (STI)</b>	To focus performance on key annual financial and non-financial KPIs, including FFO profit.  STI for Executive KMP is delivered through cash with a potential portion of 25% that can be deferred to be settled in the form of rights. A deferred STI was introduced to aid retention, align with securityholders' interests, and provide for a "consequence management" governance mechanism for misconduct, fraud, malfeasance, or financial misstatement.	The following factors are among those considered by the People & Performance Committee (PPC) in making its assessment on the achievement of the STI opportunity:  <ul style="list-style-type: none"> <li>- Unifying Financial performance.</li> <li>- Strategic Objectives.</li> <li>- Unifying People performance.</li> </ul> The STI is measured over a one-year performance period and paid in cash with 25% subject to deferral paid in the form of rights. The rights will have a deferral period of 12 months.	For FY23 Executive KMP STI outcome was on average 84% of maximum of which 25% was deferred.  For further details of the plan refer to section 5.2 page 31.  For further details of FY23 STI outcomes refer to section 4.2 table 4 page 28.
<b>Long Term Incentive (LTI)</b>	The LTI Plan is aimed at attracting, rewarding, and retaining high performing Executives and other nominated participants for delivering sustained long term growth and aligning them with securityholder interests.	LTI granted are in the form of performance rights.  The value of LTI awards offered in FY23 was up to a maximum of 100% of FR for the MD, and 50% for the CFO and the CIO.  To align the interests of the Board with securityholders, the MD is required to maintain a minimum holding of securities equivalent to 100% of his fixed remuneration. Executive KMP are required to maintain a minimum holding of securities that is equivalent to 50% of their fixed remuneration.	No LTI vests for the MD.  The CIO and CFO each received 69% of a third of the FY22 grant.

**DIRECTORS' REPORT**

**30 JUNE 2023**

**REMUNERATION REPORT (audited)**

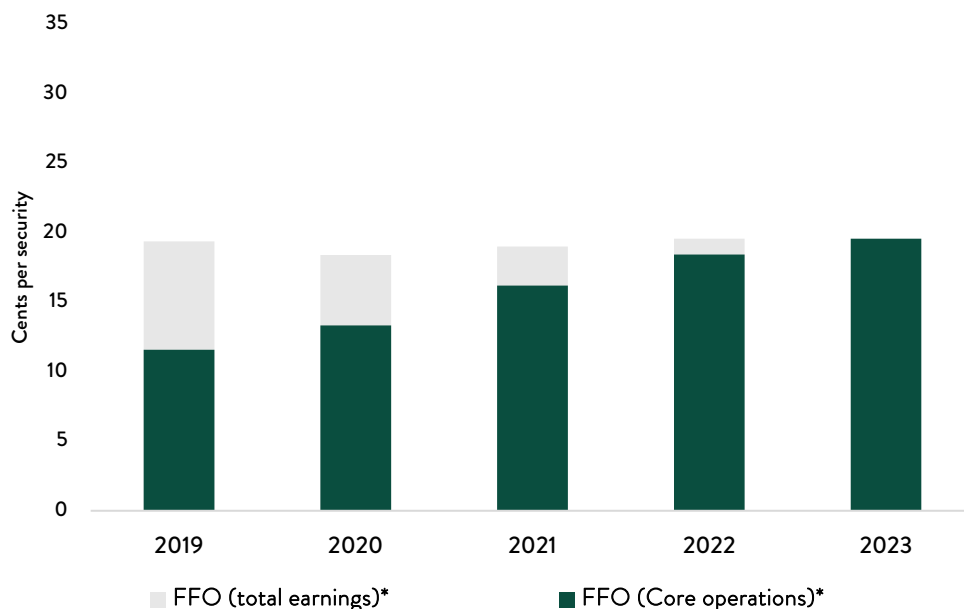
**3. FY23: HOW DID WE PERFORM?**

One of the key principles of the Group's remuneration framework is the alignment of interests to securityholders to focus on long term sustainable value creation. This section provides a summary of both FY23 performance and the Company's five year financial performance outcomes.

Abacus' FFO result exceeded target and the team has made significant progress during FY23 on delivery of our business priorities. Of note, the Group:

- announced its intention to create a new ASX listed Self Storage REIT known as Abacus Storage King (ASK), which was successfully de-stapled post year end;
- successfully completed a pro rata equity raising in ASK raising proceeds of approximately \$225 million;
- undertook strategic capital transactions investing over \$450 million in Commercial and Self Storage assets during the period, and additionally exchanging on an additional four Self Storage sites yet to settle;
- divested approximately \$100m of non-core assets;
- achieved strong performance in its established Self Storage portfolio with growth in RevPAM of 9%;
- continued the rollout of solar panels across its Self Storage facilities;
- maintained high levels across its Commercial portfolio occupancy at 95%;
- delivered 100% of FFO from its core operations;
- relocated both Abacus and Storage King's head offices including a strong brand refresh of the organisation; and
- achieved high level of employee engagement.

**Five year FFO performance**



\*FFO earnings are unaudited.

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**3.1. Relationship between remuneration and Abacus performance**

Abacus performance over the last five years is illustrated below in table 3.

Table 3 – Key financial performance indicators

Key financial performance Indicators	2019	2020	2021	2022	2023
FFO (core operations) per security (cents)*	11.59	13.34	16.21	18.44	<b>19.58</b>
FFO (total earnings) per security (cents)*	22.28	19.38	18.40	19.01	<b>19.58</b>
FFO Profit \$m	129.2	125.2	136.4	160.9	<b>175.0</b>
Distributions paid and proposed (cents)	18.50	18.50	17.50	18.00	<b>18.40</b>
Closing security price (30 June)	\$4.10	\$2.68	\$3.15	\$2.57	<b>\$2.69</b>
Net Tangible assets per security**	\$3.33	\$3.32	\$3.43	\$3.85	<b>\$3.70</b>
Weighted average securities on issue	580.0m	643.0m	741.1m	846.3m	<b>893.5m</b>

\*FFO earnings are unaudited

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

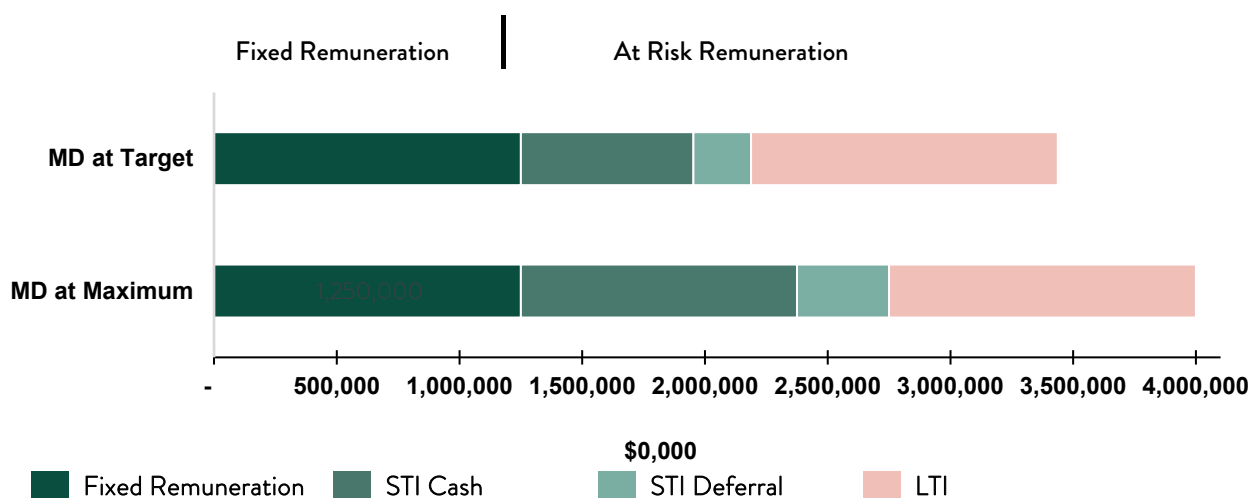
**4. EXECUTIVE KMP REMUNERATION**

**4.1. MD FY23 Remuneration details – Target and maximum remuneration in FY23**

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

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

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



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The following sets out the awards made to the Managing Director based on his performance during the year ended 30 June 2023.

<b>FIXED REMUNERATION</b>	FR OF \$1,250,000 PER ANNUM
<b>SHORT TERM INCENTIVE (STI)</b>	<p>Maximum STI of \$1,500,000 (120% of FR)</p> <p>The balanced scorecard was based on the following:</p> <ul style="list-style-type: none"> <li>• Financials 60%</li> <li>• Strategy 30%</li> <li>• People 10%</li> </ul> <p>The Managing Director received 82.7% of his maximum STI for FY23. 75% or \$929,940 of this was received in cash and 25% or \$309,980 has been received in rights and deferred for one year.</p>
<b>LONG TERM INCENTIVE (LTI)</b>	<p>Maximum LTI of \$1,250,000 (100% of FR)</p> <p>100% of the LTI is granted as performance rights.</p> <ul style="list-style-type: none"> <li>• 50% of the rights will be tested against performance requirements in FY25.</li> <li>• 50% of the rights will be tested against performance requirements in FY26.</li> </ul>

#### 4.2. FY23 Managing Director STI Outcome

The following table sets out the performance of the MD against his KPI's for the year ended 30 June 2023 (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.

The People Performance Committee and the Board reviewed these outcomes and the targets set against A-REIT competitor performance and the property market overall.




The Board has exercised its discretion in relation to the achievement of the capital utilisation KPI and rating. This KPI was set prior to the de-stapling transaction proposal which was announced in early H2 FY23. Taking this into consideration, the Board believes it was warranted to apply the capital utilisation KPI to the first half only and apply a de-stapling transaction KPI for the second half FY23.

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Table 4 – Managing Director's performance against KPI's.

COMPONENT	FY23 KPI'S	WEIGHT	% OF MAX	PERFORMANCE DETAIL
 <b>Financial Performance</b>	Funds from Operations (FFO)	40%	75.7%	Above FFO Target, achieving \$175m or 19.5 cps which was above FY22. A DPS of 18.4 cps which was in line with the target rate.
	Capital utilisation, acquisition, and deployment – H1	10%	90.2%	Above target, achieving over \$274m in capital utilisation, acquisition, and deployment in the first half.
	Abacus Storage King (ASK) De-stapling transaction H2	10%	100%	99.97% of Securityholders voted recommending unanimously in favour of all resolutions.
 <b>Strategic</b>	SK Platform Integration and enhancement	10%	93.2%	Substantial steps taken during the period to successfully position the ASK business as a standalone listed A-REIT achieved through refinement of organisational design, clear delineation of roles and responsibilities, systems, and process.
	ABP commercial, WHS and Sustainability enhancement	10%	83.0%	The commercial asset portfolio has been managed efficiently and effectively despite challenging conditions and market sentiment. WHS and Sustainability deliverables were met.
	ABP Brand	10%	91.5%	Proactive and positive engagement of all stakeholders, wholesale brand refresh and website delivered.
 <b>People</b>	Culture and engagement	10%	65.9%	Achieved a 96% participation rate and engagement pulse survey score of 83%.

The balanced scorecards for other Executive KMPs during FY23 are similar to that of the MD, in that both the financial and people components and weightings are the same, but with strategic KPIs applicable to their individual roles.

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### REMUNERATION REPORT (audited)

#### 4.3. Executive KMP FY22 STI Outcomes

Table 5 below provides details of each Executive KMP's performance targets and the achievements and financial outcomes during the financial year ended 30 June 2023.

Table 5 – Executive KMP performance targets and achievements

Executive KMP	Key Performance Indicator	Weighting	Max STI Potential \$	Actual STI awarded on a % of Max STI potential	Actual Full STI awarded \$	Actual STI deferred \$	STI forfeited as a % of Max STI potential
Steven Sewell	Financial	60%	900,000	82.2%	739,636	184,909	17.8%
	Strategic	30%	450,000	89.2%	401,420	100,355	10.8%
	People	10%	150,000	65.9%	98,864	24,716	34.1%
	<b>Total</b>	<b>100%</b>	<b>1,500,000</b>	<b>82.7%</b>	<b>1,239,920</b>	<b>309,980</b>	<b>17.3%</b>
Evan Goodridge	Financial	60%	225,000	84.2%	189,364	47,341	15.8%
	Strategic	30%	112,500	90.9%	102,273	25,568	9.1%
	People	10%	37,500	69.7%	26,136	6,534	30.3%
	<b>Total</b>	<b>100%</b>	<b>375,000</b>	<b>84.7%</b>	<b>317,773</b>	<b>79,443</b>	<b>15.3%</b>
Gavin Lechem	Financial	60%	283,500	84.2%	238,598	59,650	15.8%
	Strategic	30%	141,750	93.4%	132,443	33,111	6.6%
	People	10%	47,250	69.7%	32,932	8,233	30.3%
	<b>Total</b>	<b>100%</b>	<b>472,500</b>	<b>85.5%</b>	<b>403,973</b>	<b>100,993</b>	<b>14.5%</b>

#### 4.4. Executive KMP remuneration details – statutory table

Table 6 – Executive KMP remuneration

Name	Year	Base Pay	Short term benefits			Total cash payments and short-term benefits	Post-Employment	Long term benefits	Security based payment		Total
			Super	Long Service Leave	Deferred STI Rights <sup>2</sup>		Rights <sup>2</sup>	\$			
Steven Sewell	FY23	1,224,708	929,940	9,455	2,164,103	25,292	20,261	348,097	937,292	3,495,045	
	FY22	1,226,433	1,024,449	5,015	2,252,897	23,567	20,423	170,242	769,688	3,236,817	
Evan Goodridge <sup>1</sup>	FY23	472,500	238,329	-	710,829	27,500	26,377	39,722	116,822	921,250	
	FY22	-	-	-	-	-	-	-	-	-	
Gavin Lechem <sup>1</sup>	FY23	602,500	302,980	-	905,480	27,500	29,551	99,219	227,230	1,288,980	
	FY22	377,097	257,722	-	634,819	17,676	9,671	42,954	152,052	857,172	
Rob Baulderstone <sup>1</sup>	FY23	-	-	-	-	-	-	-	-	-	
	FY22	544,721	388,590	5,015	938,326	27,500	11,099	64,765	282,954	1,324,644	

<sup>1</sup>Remuneration reflects period of service as Executive KMP.

<sup>2</sup>Accrued not presently entitled. Includes both LTI and Executive Incentive plan (SAR's).

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**5. REWARD GOVERNANCE AND FRAMEWORK**

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

**VISION**

**CREATE EXCEPTIONAL VALUE FOR OUR CUSTOMERS AND COMMUNITY AS A HIGH CONVICTION OWNER DELIVERING LONG TERM SUSTAINABLE RETURNS**

**VALUES**

**ENTREPRENEURIAL**

**RESPONSIBLE**

**ACCOUNTABLE**

**REMUNERATION PRINCIPLES**



**REWARD**

Reward and promote the results and behaviours consistent with the Abacus vision, objectives, and values



**BALANCE**

Balanced between financial performance, strategic priorities and continued focus on increasing engagement of our people



**ALIGNMENT**

Alignment of interests to stakeholders to focus on long term sustainable value creation

**5.1. The Group's remuneration governance**

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

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



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## REMUNERATION REPORT (audited)

### 5.2. Remuneration framework

#### Fixed Remuneration (FR)

<b>What is fixed remuneration?</b>	Paid mainly as cash salary – comprises base salary, superannuation contributions and other non-monetary benefits.
<b>How is FR determined?</b>	Base salary is set in reference to each Executive’s position, performance, experience, and market rates.

#### Short Term Incentive (STI)

<b>What is the purpose of the short-term incentive (STI) plan?</b>	<p>The STI provides an incentive to deliver annual business plans that will lead to sustainable superior returns for securityholders. We strive to set a series of financial and non-financial targets that are appropriately ambitious in the context of our strategy, and which drive the right long term behaviours.</p> <p>In FY22 we introduced a deferral element for any STI awarded to Executive KMP for retention, increased alignment with securityholders and better governance.</p> <p>Under the Short Term Incentive Plan (STI), Abacus Property Group has issued to participants Rights which are subject to a 12 month service vesting condition. On vesting of the STI Rights, and subject to receipt of a valid exercise notice, the Abacus Property Group Board may in its absolute discretion provide Abacus Property Group Securities to the relevant participant.</p>			
<b>What is the performance period?</b>	1 July 2022 to 30 June 2023.			
<b>What is the award opportunity?</b>	For FY23 the target and maximum STI opportunity for Executive KMP as a percentage of FR were:			
	% of FR	<b>MD</b>	<b>CFO</b>	<b>CIO</b>
	Target	75%	50%	50%
	Maximum	120%	75%	75%
<b>What key performance indicators are measured for STI to be paid?</b>	<p>The following factors are among those considered by the People &amp; Performance Committee (PPC) in making its assessment on the achievement of the STI opportunity:</p> <ul style="list-style-type: none"> <li>• Unifying Financial performance</li> <li>• Strategic Objectives</li> <li>• Unifying People performance</li> </ul>			

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**Short Term Incentive (STI)**

<p><b>Why were these measures chosen?</b></p>	<p>An FFO profit target range was chosen by the Board because FFO demonstrates the closest correlation to securityholder value creation (measured by total securityholder return). FFO profit reflects the statutory profit as adjusted by adding back tenant incentive amortisation, depreciation on owner occupied property, plant &amp; equipment (PP&amp;E), change in fair value of investment properties derecognised, capital costs, unrealised fair value gains / losses on investment properties, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), and other non-recurring adjustments deemed significant on account of their nature and non-FFO tax benefit/expense.</p> <p>This measure, although underlying, is consistent with the Property Council of Australia guidelines, is derived from financial disclosures and is hence transparent. It reflects the Directors' assessment of the result for the ongoing business activities of Abacus, in accordance with the Property Council guidelines for reporting FFO profit.</p> <p>The other financial and non-financial KPIs were chosen as they represent the key drivers for the short-term success of the business and provide a framework for long term securityholder value.</p>	
<p><b>How is performance assessed?</b></p>	<p>The People Performance Committee considers the performance of the Executive KMP against their KPIs and other applicable measures and has regard to independent benchmarking information. The Committee then recommends current variable remuneration payments, if any, to the Board for its approval.</p>	
<p><b>What is the relationship between performance scales and outcomes?</b></p>	<p><b>Performance Scales</b></p>	<p><b>STI Outcome</b></p>
	<p>Below threshold</p>	<p>0% paid</p>
	<p>Between threshold and maximum</p>	<p>25% - 100% of maximum incentive paid</p>
	<p>Maximum</p>	<p>100% of maximum incentive paid</p>
<p><b>Are any STI awards deferred?</b></p>	<p>25% of STI awarded to Executive KMP is delivered in the form of rights with a one year deferral period.</p>	
<p><b>How is the number of rights determined?</b></p>	<p>The number of rights to be granted will be calculated by dividing the deferred STI amount by the 10-day volume-weighted average price of the ABP securities on the ASX for the period commencing on the second trading day after the full year's financial results announcement for the year in which the STI award is made were released to the market, rounded to the nearest whole number.</p>	
<p><b>Are distributions paid on deferred STI awards?</b></p>	<p>No distributions are paid to participants during the vesting period. Participants receive an entitlement to rights equal to accrued and reinvested distributions only on performance rights that vest and are exercised.</p>	

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**Short Term Incentive (STI)**

Are there any disqualification provisions?

All STI incentive payouts are subject to annual 'good behaviour' and conduct checks, as determined by the Board (or its delegate) in its absolute discretion. Failure to demonstrate good behaviour and conduct may result in a reduction to or forfeiture of the STI payment for the Performance Period. Examples include:

- the participant resigns;
- the participant has breached the Company Code of Conduct or core company policies; and
- the participant's action/s led to a material WHS incident, material compliance issue, material Corporate Social Responsibility (CSR) issue or material reputation issue.

The Board has discretion to delay the payment dates set out above, for example to allow time for it to determine the appropriate outcome if there is an investigation underway by the Group or an external third party.

The Group reserves the right to suspend or alter STI payments to any participant due to any action which has caused the Group loss or reputational damage. This includes any deferred STI (in the form of rights) in the event of fraud, malfeasance, dismissal for cause, or other misconduct.

How is STI treated on cessation of employment?

Unless the board determines otherwise, an Executive will forfeit their STI award and unvested deferred awards if they resign or if their employment is terminated with cause.

**Long Term Incentive (LTI)**

The LTI Plan is aimed at attracting, rewarding, and retaining high performing Executives and other nominated participants for delivering sustained long term growth and aligning them with securityholder interests.

- Under the Long Term Incentive Plan (LTI), Abacus Property Group has issued to participants Rights which are subject to performance-based vesting conditions.
- Each of the rights granted under the LTI (LTI Rights) are subject to a hurdle based on growth in FFO per security (FFOPS) over a specified performance period. Depending on the average annual growth rate in the Abacus Property Group FFOPS, the relevant LTI Rights will vest at a level between 0% (for below threshold performance) and 100% (for maximum performance where the FFOPS average annual growth rate exceeds a certain level).
- On vesting of LTI Rights, and subject to receipt of a valid exercise notice, the Board of Abacus Group may in its absolute discretion provide Abacus Property Group Securities to the relevant participant.

Who participates in the LTI plan

Participation is limited to Executive KMP and selected senior management positions by invitation and as approved by the Board.

What size of award is granted

The maximum opportunity for the MD is 100% of FR and for other Executive KMP it is 50% of FR.

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Long Term Incentive (LTI)											
How are the grants calculated?	The number of performance rights is calculated at the date of issue by dividing the value of LTI to be awarded in the form of performance rights by the face value of an Abacus security. The face value is based on the ten-day VWAP for Abacus securities starting from the second trading day after the full year results announcement for the year ended 30 June 2022 were released to the market.										
Plan Features	The LTI awards are in the form of performance rights subject to vesting conditions.										
What are the performance and vesting periods?	<p>The Rights will be tested against the relevant Performance Conditions following release of audited financial results for the final year of the relevant Performance Period.</p> <p>For the Executive KMP, half of the performance rights are tested on the third and half on the fourth anniversary of their grant.</p> <p>Performance is measured per the following:</p> <p>Tranche One – 50% vest in year three</p> <p>Tranche Two – 50% vest in year four</p>										
Do we allow for re-testing?	No.										
What are the performance conditions (FY22 Grant Tranche One only)?	<p>The Performance Conditions require the average annual growth rate (AAGR) in the Group's FFOPS over the relevant Performance Period to exceed a certain level.</p> <p>100% vests on FFO per security (FFOPS) achieving an AAGR at or above 5%.</p> <p>At 2 – 5%, this results in 50% to 100% vesting on a sliding scale.</p> <table border="1"> <thead> <tr> <th>FFOps AAGR</th> <th>% of Rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 2%</td> <td>0%</td> </tr> <tr> <td>At 2%</td> <td>50%</td> </tr> <tr> <td>Between 2% and 5%</td> <td>Pro rata vesting from 50% to 100%</td> </tr> <tr> <td>At or above 5%</td> <td>100%</td> </tr> </tbody> </table>	FFOps AAGR	% of Rights that vest	Less than 2%	0%	At 2%	50%	Between 2% and 5%	Pro rata vesting from 50% to 100%	At or above 5%	100%
FFOps AAGR	% of Rights that vest										
Less than 2%	0%										
At 2%	50%										
Between 2% and 5%	Pro rata vesting from 50% to 100%										
At or above 5%	100%										
Are there distributions or voting rights?	Rights do not carry any voting rights. No distributions are paid to Participants during the vesting period. Participants receive an entitlement to securities equal to accrued and reinvested distributions only on performance rights that vest and are exercised.										
Why was this measure chosen?	At the time FFO growth per security was chosen by the Board because this closely correlates to securityholder value creation and assists investors and analysts to compare Australian real estate organisations. AAGR will reward stable annual growth and can provide better alignment with Abacus' annuity style strategy and business model.										
What happens on cessation of employment?	<p>Unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>— if the participant's employment is terminated for cause or they resign (or give notice of their resignation) prior to their Rights vesting, all unvested Rights will lapse; or</li> <li>— if the participant ceases employment for any other reason prior to their Rights vesting, all of their unvested Rights will remain on foot and be tested in the ordinary course.</li> </ul>										

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Long Term Incentive (LTI)	
What happens if a change in control occurs?	The Board may in its absolute discretion, accelerate vesting on some or all of any unvested securities taking into consideration service and performance prior to a change in control.
Forfeiture for Fraud, Dishonesty or Misstatement	The Board has discretion to determine that a participants Rights lapse in certain circumstances, including where they act fraudulently or dishonestly, or they are in breach of their obligations of the Group.
When is Board discretion used?	Discretion can be applied to the proportion that may vest, taking into account behaviour inconsistent with our Code of Conduct, reputational damage, and having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate). The extent and reasons for any discretion will be disclosed.
Abacus Security Trading Policy	In accordance with Abacus' Trading Policy, no director, employee, or associate may trade in APG securities at any time if they are in possession of unpublished information which, if generally available, might materially affect the price or value of ABG securities. They may only trade within specified trading windows.

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

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

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

EXECUTIVE KMP	YEAR <sup>2</sup>	GRANT DATE SECURITY VALUE \$	NUMBER OF LTI GRANTED	PERFORMANCE PERIOD	MAXIMUM GRANT DATE FACE VALUE \$
Steven Sewell	FY23	2.74	228,102	1 July 2022 to 30 June 2025	1,250,000
			228,102	1 July 2022 to 30 June 2026	
	FY22	3.40	183,824	1 July 2021 to 30 June 2024	1,250,000
			183,824	1 July 2021 to 30 June 2025	
Evan Goodridge <sup>1</sup>	FY23	2.74	45,621	1 July 2022 to 30 June 2025	250,000
			45,620	1 July 2022 to 30 June 2026	
Gavin Lechem	FY23	2.74	57,482	1 July 2022 to 30 June 2025	315,000
			57,482	1 July 2022 to 30 June 2026	
	FY22	3.40	25,995	1 July 2021 to 30 June 2023	265,148
			25,995	1 July 2021 to 30 June 2024	
			25,995	1 July 2021 to 30 June 2025	

<sup>1</sup> Remuneration reflects period of service as Executive KMP.

<sup>2</sup> The FY23 grant was issued on 23 December 2022 (FY22: 22 November 2021).

\*The fair value of the securities granted in FY23 was \$2.61

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#### 5.3. Transitional changes to Abacus Property Group Incentive Awards

This Section outlines the proposed treatment of the Abacus Property Group Incentive Awards on foot for employees that will, on de-stapling implementation, either continue to be employed by Abacus Group or be employed by Abacus Storage King but continue to hold relevant Abacus Property Group Incentive Awards.

The Abacus Property Group Board has determined the treatments set out in the following table in order to preserve the overall value of the Abacus Property Group Incentive Awards following the de-stapling, and to ensure that participants do not receive a benefit that they would not have received before the de-stapling and are not disadvantaged by the de-stapling.

AWARD	AWARD TYPE	SCHEDULED VESTING DATE	TREATMENT OF DE-STAPLING IMPLEMENTATION (IN ADDITION TO GENERAL AMENDMENTS)
<b>LTI Rights set to vest in July 2023</b>	Rights to Abacus Property Group Securities or cash equivalent	Remain the same as these existing LTI Rights, being July 2023	The vesting hurdles will remain unchanged and these awards will be tested against the relevant FFOPS hurdle for Abacus Property Group.
<b>LTI Rights set to vest after July 2023</b>	Rights to Abacus Property Group securities or cash equivalent	Remain the same as the relevant existing LTI Rights, being either July 2024, July 2025 or July 2026	<p>The vesting hurdles for these LTI Rights will be adjusted so vesting is tested against the compound annual growth rate in Earnings Before Interest and Tax (EBIT Growth) and relative Total Securityholder Return (TSR), rather than the FFOPS hurdle.</p> <p>The performance period for testing the relevant LTI Rights against the EBIT Growth hurdle will remain the same as the performance period which applied to those LTI Rights prior to De-stapling Implementation.</p> <p>The performance period for testing the relevant LTI Rights against the TSR hurdle will be adjusted and reset to commence on the De-stapling Implementation Date.</p> <p>50% of the LTI Rights scheduled to vest in each year will be subject to the TSR hurdle. TSR measures the growth in the price of securities plus cash distributions notionally reinvested in securities. The TSR outcome will be based on the combined performance of Abacus Group Securities and Abacus Storage King Securities (Combined TSR Growth Outcome). In order for the LTI Rights subject to the TSR hurdle to vest, the Combined TSR Growth Outcome must exceed a minimum of the 50th percentile of the comparator peer group of ASX listed entities over the relevant performance period. Vesting will range between 50% (at 50th percentile achievement) to 100% (at 75th percentile or higher achievement) with straight line vesting between 50th percentile achievement and 75th percentile achievement.</p>

# DIRECTORS' REPORT

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## REMUNERATION REPORT (audited)

AWARD	AWARD TYPE	SCHEDULED VESTING DATE	TREATMENT OF DE-STAPLING IMPLEMENTATION (IN ADDITION TO GENERAL AMENDMENTS)
			50% of the LTI Rights scheduled to vest in each year will be subject to the EBIT Growth hurdle. The EBIT Growth outcome will be based on the combined performance of Abacus Group and Abacus Storage King (Combined EBIT Growth Outcome). In order for the LTI Rights subject to the EBIT Growth hurdle to vest, the Combined EBIT Growth Outcome must exceed 3% for the relevant performance period. Vesting will range between 50% (at 3% Combined EBIT Growth Outcome achievement) and 100% (at 8% Combined EBIT Growth Outcome achievement) with straight line vesting between 3% to 8% Combined EBIT Growth Outcome achievement.
<b>Short Term Incentive Plan (STI)</b>	Rights to Abacus Property Group Securities or cash equivalent	Remain the same as the existing STI Rights, being July 2023	The service vesting condition will remain unchanged and these STI Rights will be tested against the same time-based service conditions as the existing STI Rights.
<b>SARs awards</b>	Rights to Abacus Property Group Securities or cash equivalent	Remain the same as the existing SARs, being July 2023 and July 2024	The Distribution Condition Clawback will continue to apply. The Board of Abacus Group will continue to have the right (but not the obligation) to clawback unvested SARs if the Distribution Condition Clawback is triggered.

### 5.4. Summary of unvested equity incentive changes

SECURITIES PLANS	ABACUS GROUP CHANGES	PERFORMANCE PERIOD
<b>Remaining FY22 LTI Grant</b> — Due to vest July 2024 – Tranche 2 (T2) — Due to vest July 2025 – Tranche 3 (T3)	The prior performance measure is replaced by the introduction of two new performance measures: EBIT based on CAGR; and Relative TSR The performance period for the remaining tranches of the FY22 and FY23 LTI grants will be reset from [July/August] 2023, which aligns to the new corporate structure post – de stapling. While the performance period has been adjusted, the vesting dates remain the same.	The performance period for RTSR will be adjusted (Transition period), resetting to the date of listing, which aligns to the new corporate structure post de-stapling. <ul style="list-style-type: none"> <li>- T2 changes from 1 July 2021 to 30 June 2024 (three years) to [August] 2023 to 30 June 2024 (circa one year).</li> <li>- T3 changes from 1 July 2021 to 30 June 2025 (four years) to [July/August] 2023 to 30 June 2024 (circa two years).</li> </ul> There is no change to the performance periods for EBIT CAGR This includes all KMP, MD, CIO. and CFO.

**DIRECTORS' REPORT**
**30 JUNE 2023**
**REMUNERATION REPORT (audited)**

SECURITIES PLANS	ABACUS GROUP CHANGES	PERFORMANCE PERIOD
<p><b>Remaining FY22 LTI Grant</b>  <b>— Due to vest July 2024 – Tranche 2 (T2)</b>  <b>— Due to vest July 2025 – Tranche 3 (T3)</b></p>	<p>The nature of the right is varied, that is ABG and ASK Rights are provided upon vesting.</p> <p>The prior performance measure is replaced by the introduction of two new performance measures:</p> <p>EBIT based on CAGR; and</p> <p>Relative TSR</p> <p>The performance period for the remaining tranches of the FY22 and FY23 LTI grants will be reset from [July/August] 2023, which aligns to the new corporate structure post – de stapling.</p> <p>While the performance period has been adjusted, the vesting dates remain the same.</p> <p>The nature of the right is varied, that is ABG and ASK Rights are provided upon vesting.</p>	<p>The performance period for RTSR will be adjusted (Transition period), resetting to the date of listing, which aligns to the new corporate structure post de-stapling.</p> <ul style="list-style-type: none"> <li>- T2 changes from 1 July 2021 to 30 June 2024 (three years) to [August] 2023 to 30 June 2024 (circa one year).</li> <li>- T3 changes from 1 July 2021 to 30 June 2025 (four years) to [July/August] 2023 to 30 June 2024 (circa two years).</li> </ul> <p>There is no change to the performance periods for EBIT CAGR</p> <p>This includes all KMP, MD, CIO, and CFO.</p>
<p><b>STI Deferral FY22</b>  <b>Due to vest July 2023</b></p>	<p>Vary terms of rights such that each right vests as an Abacus Group Security and an Abacus Storage Group Security.</p>	<p>No change</p>
<p><b>SAR's FY20 &amp; FY21</b>  <b>Due to vest August 2023</b>  <b>(FY20 T3, FY21 T2)</b>  <b>Due to vest August 2024 (T3)</b></p>	<p>Vary terms of rights such that each right vests as an Abacus Group Security and an Abacus Storage Group Security.</p>	<p>No change.</p>



## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

#### 5.5. Security based payments

The below outlines the FY23 LTI grant reflecting the two new performance hurdles and then moves on to the Executive Incentive Plan (Legacy Plan) as shown from table 10.

#### Performance Long term Incentive Plan Grants

Grant	Tranche	Performance hurdles each weighted 50%	Vesting date
FY23 Grant	Tranche One – 50% of Grant	EBIT CAGR <sup>1</sup> <ul style="list-style-type: none"> <li>- 50% vesting at 3% EBIT CAGR</li> <li>- 100% vesting at 8% EBIT CAGR</li> <li>- Pro rata vesting between 3% and 8%</li> <li>- 0% if less than 3% EBIT CAGR</li> </ul>	August 2025
	Tranche Two – 50% of Grant	Relative TSR <sup>2</sup> <ul style="list-style-type: none"> <li>- 50% vesting is achieved when ranking at the median.</li> <li>- 100% vesting is achieved when our peer group ranking is at the 75<sup>th</sup> percentile or higher pro-rata vesting is achieved between the median and the 75<sup>th</sup> percentile.</li> <li>- 0% if less than peer group ranking below the median.</li> </ul>	August 2026

<sup>1</sup>EBIT CAGR is Underlying Earnings before Interest and Tax Compound Annual Growth Rate

<sup>2</sup>Relative TSR is Relative Total Shareholding Return

#### Table 8 – Movements in LTI holdings of key management personnel during the year

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

KMP	BALANCE 1 JULY 2022	GRANTED AS REMUNERATION	NO. LAPSED DURING THE YEAR <sup>1</sup>	LTIS VESTED	BALANCE 30 JUNE 2023
Steven Sewell (Managing Director)	367,648	456,204	-	-	823,852
Evan Goodridge	35,295	91,241	(4,074)	-	122,462
Gavin Lechem	77,985	114,964	(9,001)	-	183,948
<b>Total</b>	<b>480,928</b>	<b>662,409</b>	<b>(13,075)</b>	<b>-</b>	<b>1,130,262</b>

<sup>1</sup>The CIO and CFO were granted LTI in 2021 as non KMP with three tranches. 30.7% of the rights have lapsed as the FFOps average annual growth rate was less than 5%.

## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

#### 5.6. Executive Incentive Plan (Legacy SAR's Plan)

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

- Under the executive incentive plan, Abacus Property Group issued to participants rights (in the form of Security Acquisition Rights (SARs)) which are subject to time based vesting with the Abacus Property Group Board having the right (but not the obligation) to clawback unvested SARs if Abacus Property Group distributions fall below a certain threshold amount per Abacus Property Group Security in respect of any financial year (Distribution Condition Clawback).
- On vesting of the SARs, the Abacus Group Board may in its absolute discretion provide securities to the relevant participant.

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

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

The table below discloses the number of SARs that vested or lapsed during the year. No further grants will be made under this Plan.

Table 9 – Grants under the Deferred Security Acquisition Rights Plan (SARs)

EXECUTIVE KMP	YEAR	VESTING DATE	NO. VESTED DURING THE YEAR	NO. LAPSED DURING THE YEAR
Steven Sewell	2021	09/2022	96,825	-
	2020	09/2022	59,222	-
	2019	09/2022	41,499	-
Evan Goodridge	2021	09/2022	9,840	-
	2020	09/2022	6,768	-
	2019	09/2022	5,724	-
Gavin Lechem	2021	09/2022	27,061	-
	2020	09/2022	16,920	-
	2019	09/2022	14,310	-

## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

Table 10 – The value of SARs granted, exercised, and lapsed during the year.

EXECUTIVE KMP	VALUE OF SARs GRANTED DURING THE YEAR \$	VALUE OF SARs EXERCISED DURING THE YEAR \$	VALUE OF SARs LAPSED DURING THE YEAR \$
Steven Sewell	-	634,809	-
Evan Goodridge	-	72,106	-
Gavin Lechem	-	187,870	-
<b>Total</b>	<b>-</b>	<b>894,785</b>	<b>-</b>

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

Refer to Note 19 for details on the valuation of the Long Term and Deferred Variable Incentive Plan, including models and assumptions used.

Table 11 – Securities acquired on exercise of SARs.

EXECUTIVE KMP	SECURITIES ACQUIRED (NUMBER)	PAID PER SECURITY \$
Steven Sewell	229,516	2.76
Evan Goodridge	26,070	2.76
Gavin Lechem	67,924	2.76

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 12 – Movements in SARs holdings of key management personnel during the year

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

KMP	BALANCE 1 JULY 2022	GRANTED AS REMUNERATION	SARs EXERCISED	BALANCE 30 JUNE 2023
Steven Sewell	450,418	75,214	(229,516)	296,116
Evan Goodridge	48,780	8,390	(26,070)	31,100
Gavin Lechem	129,333	21,911	(67,924)	83,320
<b>Total</b>	<b>628,531</b>	<b>105,515</b>	<b>(323,510)</b>	<b>410,536</b>

## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

All equity transactions with Executive KMP other than those arising from the vesting of the security acquisition rights have been entered into under terms and conditions no more favourable than those that Abacus would have adopted if dealing at arm's length. Other than disclosed in the ASX market, there have been no movements in holdings since 30 June 2023.

#### 5.7. Minimum security holding requirement for Executive KMP

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

- The MD is required to maintain a minimum holding of securities equivalent to 100% of his fixed remuneration. Executive KMP are required to maintain a minimum holding of securities that is equivalent to 50% of their fixed remuneration.
- Executive KMP had until the fourth anniversary of the later of 27 June 2022 or the date they become an Executive KMP, to meet the minimum holding requirement.
- For FY24 this anniversary will be updated in respect of any KMP (including the Managing Director) to the later of the de-stapling of Abacus Group and Abacus Storage King or the date they become a member of the KMP.

Table 13 – Executive KMP ownership – security holdings details as at 30 June 2023

EXECUTIVE KMP	SECURITIES			BALANCE 30 JUNE 2023
	BALANCE 1 JULY 2022	VESTING OF RIGHTS	PURCHASE / SALES	
Steven Sewell (MD)	402,572	362,449	101,104	866,125
Evan Goodridge	64,857	26,070	-	90,927
Gavin Lechem	236,759	101,465	-	338,224

EXECUTIVE KMP	SECURITY PRICE 30 JUNE 2023	BALANCE 30 JUNE 2023	MSH REQUIREMENT	MSHR ASSESSMENT DATE
Steven Sewell (MD)	\$2.69	\$2,329,876	\$1,250,000	June 2026
Evan Goodridge	\$2.69	\$244,594	\$250,000	June 2026
Gavin Lechem	\$2.69	\$909,823	\$315,000	June 2026

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

## **DIRECTORS' REPORT**

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### **REMUNERATION REPORT (audited)**

## **6. NON-EXECUTIVE DIRECTOR REMUNERATION**

### **6.1. Objective**

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

### **6.2. Fee Structure and Policy**

The following table outlines the Non-Executive Directors (NEDs) fee policy and any changes introduced for FY23.

<b>Maximum aggregate fees approved by securityholders</b>	Abacus' constituent documents and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-Executive directors must be approved by securityholders. The last determination was at the annual general meeting held on 14 November 2022 when securityholders approved an aggregate remuneration limit of \$1,250,000 per year.
<b>Contracts</b>	Upon appointment to the Board, all NEDs receive a letter of appointment which summarises the Board policies and terms, including compensation, relevant to the office of Director.
<b>Non-Executive Director fees reviews</b>	<p>The Board reviews NED fees on an annual basis in line with general industry practice. This ensures fees are appropriately positioned in the market to attract and retain high calibre individuals. The fees were last increased in July 2021.</p> <p>NEDs are entitled to be reimbursed for all reasonable costs and expenses incurred by them in performing their duties.</p> <p><b>NED fee changes FY23</b></p> <p>There are no changes to the Board base fees and committee in FY23. Refer to Table [14] for details of FY23 fees.</p> <p><b>NED fee changes FY24</b></p> <p>There are no changes to the Board base fees and committee in FY24. Refer to Table 14 for details of FY24 fees.</p> <p>The aggregation of all Board and committee fees for FY23 and FY24, respectively, remains below the current pool limit.</p>
<b>Superannuation</b>	The fees set out above include superannuation contributions in accordance with relevant statutory requirements.
<b>Post-employment benefits</b>	The Non-Executive directors do not receive retirement benefits. Nor do they participate in any incentive programs.

## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

Table 14 – Non-Executive Director fee levels (inclusive of superannuation) – Abacus Group

BOARD/COMMITTEE	ROLE	FY23	
		PER ROLE \$	TOTAL
Board	Chair	\$252,000	\$252,000
	Non-Executive Director	\$113,000	\$565,000
Audit and Risk Committee	Chair	\$27,300	\$27,300
	Non-Executive Director	\$12,285	\$36,855
Work, Health Safety and Sustainability Committee	Chair	\$21,000	\$21,000
	Non-Executive Director	\$10,500	\$10,500
People Performance Committee	Chair	\$23,000	\$23,000
	Non-Executive Director	\$11,250	\$33,750
Total			\$969,405

Table 15 – Non-Executive Directors' remuneration details – Abacus Group

Non-Executive Director	Year	Base Fees	Non-monetary benefits	Total cash payments and short-term benefits	Superannuation	\$
Myra Salkinder (Chair) <sup>1</sup>	FY23	252,000	-	252,000	-	252,000
	FY22	238,636	-	238,636	13,364	252,000
Trent Alston	FY23	134,195	-	134,195	14,090	148,285
	FY22	134,804	-	134,804	13,481	148,285
Mark Bloom <sup>2</sup>	FY23	123,561	-	123,561	12,974	136,535
	FY22	124,123	-	124,123	12,412	136,535
Mark Haberlin	FY23	137,149	-	137,149	14,401	151,550
	FY22	137,773	-	137,773	13,777	151,550
Sally Herman <sup>3</sup>	FY23	66,078	-	66,078	6,938	73,016
	FY22	-	-	-	-	-
Holly Kramer <sup>4</sup>	FY23	53,594	-	53,594	-	53,594
	FY22	131,688	-	131,688	3,062	134,750
Jingmin Qian	FY23	132,384	-	132,384	13,901	146,285
	FY22	132,986	-	132,986	13,299	146,285

<sup>1</sup>Myra Salkinder as Chair does not receive any fees for other sub-committees.

<sup>2</sup>Mark Bloom ceased as director of AGHL, AT, AGPL & AIT on 3 August 2023. Mark will continue as director for ASPT & ASOL.

<sup>3</sup>Sally Herman was appointed 16 December 2022.

<sup>4</sup>Holly Kramer resigned 23 November 2022.

## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

Table 16 – Non-Executive Director fee levels (inclusive of superannuation) – Abacus Storage King in effect from 4 August 2023

BOARD/COMMITTEE	ROLE	FY23	
		PER ROLE \$	TOTAL
Board	Chair	\$252,000	\$252,000
	Non-Executive Director	\$113,000	\$339,000
Audit and Risk Committee	Chair	\$27,300	\$27,300
	Non-Executive Director	\$12,285	\$24,570
Remuneration Committee	Chair	\$12,000	\$12,000
	Non-Executive Director	\$8,000	\$16,000
<b>Total</b>			<b>\$670,870</b>

Table 17 – Non-Executive Director's remuneration details – Abacus Storage Operations Limited and Abacus Storage Property Trust

Non-Executive Director	Year	SHORT TERM BENEFITS			POST-EMPLOYMENT	TOTAL
		Base Fees	Non-monetary benefits	Total cash payments and short-term benefits	Superannuation	\$
John O'Sullivan (Chair) <sup>1</sup>	FY23	12,094	-	12,094	1,270	13,364
	FY22	-	-	-	-	-
Stephanie Lai <sup>1</sup>	FY23	5,423	-	5,423	569	5,992
	FY22	-	-	-	-	-
Karen Robbins <sup>1</sup>	FY23	5,423	-	5,423	569	5,992
	FY22	-	-	-	-	-

<sup>1</sup>John O'Sullivan, Stephanie Lai and Karen Robbins were appointed 13 June 2023.

### 6.3. Minimum security holding requirement for Non-Executive Directors FY23

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

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For FY24 the minimum security holding is to be achieved progressively by the 4th anniversary of:

- in respect of any Non Executive Director of Abacus Group, the later of the de-stapling of Abacus Group and Abacus Storage King or the date of their appointment as a Director; and
- in respect of any Non Executive Director of Abacus Storage King, the later of the de-stapling of Abacus Group and Abacus Storage King or the date of their appointment as a Director.

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

Table 18 – Non-Executive Director's security holdings details – Abacus Group

NON-EXECUTIVE DIRECTOR	BALANCE 1 JULY 2022	PURCHASE / SALE	BALANCE 30 JUNE 2023	MSHR ASSESSMENT	MSHR POLICY	MSHR ASSESMENT DATE
Myra Salkinder (Chair)	197,925	14,604,246	14,802,171	\$39,817,840	\$252,000	June 2026
Trent Alston	36,250	9,000	45,250	\$121,723	\$148,285	June 2026
Mark Bloom	37,000	36,600	73,600	\$197,984	\$136,535	June 2026
Mark Haberlin	42,292	-	42,292	\$113,765	\$151,550	June 2026
Sally Herman	-	18,150	18,150	\$48,824	\$136,535	December 2026
Jingmin Qian	33,167	12,000	45,167	\$121,499	\$146,285	June 2026

All equity transactions with Non-Executive Directors have been entered into under terms and conditions no more favourable than those that Abacus would have adopted if dealing at arm's length. There have been no movements in holdings since 30 June 2023.

Table 19 – Non-Executive Director's security holdings details – Abacus Storage King in effect from 4 August 2023

NON-EXECUTIVE DIRECTOR	BALANCE 1 JULY 2022	PURCHASE / SALE	BALANCE 30 JUNE 2023	MSHR ASSESSMENT	MSHR POLICY	MSHR ASSESMENT DATE
John O'Sullivan (Chair)	-	-	-	-	\$252,000	June 2027
Stephanie Lai	-	-	-	-	\$148,300	June 2027
Karen Robbins	-	-	-	-	\$137,285	June 2027

All equity transactions with Non-Executive Directors have been entered into under terms and conditions no more favourable than those that Abacus would have adopted if dealing at arm's length. There have been no movements in holdings since 30 June 2023.



## DIRECTORS' REPORT

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### REMUNERATION REPORT (audited)

## 7. ADDITIONAL REQUIRED DISCLOSURES

### 7.1. Executive KMP employment terms

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

ROLE	TERM OF AGREEMENT	NOTICE PERIOD (BY COMPANY OR BY EMPLOYEE)	POST-EMPLOYMENT RESTRAINTS	TERMINATION BENEFITS
Steven Sewell	No expiry date	9 months	12 months	No redundancy payment entitlements. If there are any termination entitlements to be paid, they will be limited by the current Corporations Act 2001 (Cth) or the ASX Listing Rules or both.
Evan Goodridge	No expiry date	6 months	6 months	Covered by National Employment Standards (NES).
Gavin Lechem	No expiry date	6 months	6 months	Covered by National Employment Standards (NES).

Abacus may terminate an Executive KMP's service at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is only entitled to remuneration up to the date of termination.

### 7.2. Use of Remuneration advisors

The People and Performance Committee engages external remuneration consultants from time to time to provide independent benchmarking data and information on best practice. This ensures the Company continually reviews assesses and adapts the remuneration governance functions to assist the Board and Committee in making informed remuneration decisions. No remuneration recommendations as defined under the Corporations Act 2001 (Cth) were provided to the Committee by remuneration consultants in FY23.

### 7.3. Loans to Key Management Personnel

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

### 7.4. Other transactions with Key Management Personnel

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

## **DIRECTORS' REPORT**

**30 JUNE 2023**

### **SIGNIFICANT EVENTS AFTER BALANCE DATE**

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

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

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

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

### **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.

### **ROUNDING**

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

### **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is set out on page 49.

During the year, Ernst & Young provided non-audit services to the Group, as outlined in Note 23 of the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by this Act.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 23, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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



Myra Salkinder  
Chair  
Sydney, 18 August 2023



Steven Sewell  
Managing Director



**Building a better  
working world**

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

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

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

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

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that reads 'A Ewan' in a cursive, stylized font.

Anthony Ewan  
Partner  
18 August 2023

**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
<b>REVENUE</b>			
Rental income		147,075	130,539
Finance income	1	3,483	11,229
Fee income		1,455	2,082
<b>Total Revenue</b>		<b>152,013</b>	<b>143,850</b>
<b>OTHER INCOME</b>			
Other income		60	324
<b>Total Revenue and Other Income</b>		<b>152,073</b>	<b>144,174</b>
Net change in fair value of investment properties derecognised		(9,097)	(992)
Net change in fair value of investment and financial instruments derecognised		(1,023)	(107)
Net change in fair value of investment properties held at balance date		(247,617)	40,308
Share of (loss)/profit from equity accounted investments	7(a)	(8,846)	13,429
Net change in fair value of derivatives		(20,220)	28,101
Net change in fair value of investments held at balance date	3(a)	(854)	622
Property expenses and outgoings		(41,880)	(33,370)
Depreciation and amortisation expense	3(b)	(5,800)	(6,070)
Impairment charges		-	(4,903)
Finance costs	3(c)	(9,893)	(19,217)
Administrative and other expenses	3(d)	(39,458)	(32,741)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(232,615)</b>	<b>129,234</b>
Income tax expense	4(a)	(5,650)	(9,995)
<b>NET PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>(238,265)</b>	<b>119,239</b>
<b>Discontinued Operations</b>			
Net profit after tax from discontinued operations	21	263,760	397,926
<b>NET PROFIT AFTER TAX</b>		<b>25,495</b>	<b>517,165</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the parent entity (AGHL)		(64,516)	(25,486)
<i>Equity holders of other stapled entities</i>			
AT members		(138,796)	148,031
AGPL members		(2,377)	19,882
AIT members		(22,967)	(4,084)
ASPT members		143,641	264,008
ASOL members		110,510	114,814
<b>NET PROFIT</b>		<b>25,495</b>	<b>517,165</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 30 JUNE 2023**

	2023	2022
	\$'000	\$'000
<b>NET PROFIT AFTER TAX</b>	25,495	517,165
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments associated with continuing operations	-	-
Foreign exchange translation adjustments, net of tax associated with discontinued operations	1,925	(1,623)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>27,420</b>	<b>515,542</b>
<b>Total comprehensive income attributable to:</b>		
Members of the Group	27,420	515,542
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>27,420</b>	<b>515,542</b>
<b>Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:</b>		
AGHL members	(64,516)	(25,486)
AT members	(138,796)	148,031
AGPL members	(2,377)	19,882
AIT members	(22,967)	(4,084)
ASPT members	145,510	262,683
ASOL members	110,566	114,516
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP</b>	<b>27,420</b>	<b>515,542</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
<b>CURRENT ASSETS</b>			
Assets associated with discontinued operations	21	3,072,416	-
Cash and cash equivalents	8	71,900	176,505
Trade and other receivables		46,637	43,472
Derivatives at fair value		30,283	20,869
Other		4,056	7,281
<b>TOTAL CURRENT ASSETS</b>		<b>3,225,292</b>	<b>248,127</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	5	2,099,876	4,500,582
Property loans	6(a)	53,142	53,144
Equity accounted investments	7	158,674	172,961
Deferred tax assets	4(c)	11,641	15,998
Property, plant and equipment	15	458	21,668
Other financial assets	6(b)	3,987	244,334
Intangible assets and goodwill	20	32,463	105,626
Derivatives at fair value		14,541	38,072
Other		6,100	6,547
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,380,882</b>	<b>5,158,932</b>
<b>TOTAL ASSETS</b>		<b>5,606,174</b>	<b>5,407,059</b>
<b>CURRENT LIABILITIES</b>			
Liabilities associated with discontinued operations	21	1,142,401	-
Trade and other payables		57,584	127,030
Derivatives at fair value		20,603	-
Income tax payable		-	1,732
Other		5,476	9,188
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,226,064</b>	<b>137,950</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	10	1,006,508	1,709,241
Derivatives at fair value		859	-
Deferred tax liabilities	4(c)	9,735	52,906
Other		1,319	5,853
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,018,421</b>	<b>1,768,000</b>
<b>TOTAL LIABILITIES</b>		<b>2,244,485</b>	<b>1,905,950</b>
<b>NET ASSETS</b>		<b>3,361,689</b>	<b>3,501,109</b>
<b>TOTAL EQUITY</b>		<b>3,361,689</b>	<b>3,501,109</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**
**AS AT 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
<b>Equity attributable to members of AGHL:</b>			
Contributed equity		568,862	568,221
Reserves		4,144	2,941
Retained earnings		63,684	128,200
<b>Total equity attributable to members of AGHL:</b>		<b>636,690</b>	<b>699,362</b>
<b>Equity attributable to unitholders of AT:</b>			
Contributed equity		1,373,217	1,372,070
Accumulated losses		(321,050)	(107,236)
<b>Total equity attributable to unitholders of AT:</b>		<b>1,052,167</b>	<b>1,264,834</b>
<b>Equity attributable to members of AGPL:</b>			
Contributed equity		47,064	46,983
Retained earnings		62,253	64,630
<b>Total equity attributable to members of AGPL:</b>		<b>109,317</b>	<b>111,613</b>
<b>Equity attributable to unitholders of AIT:</b>			
Contributed equity		188,472	188,330
Accumulated losses		(140,532)	(113,047)
<b>Total equity attributable to unitholders of AIT:</b>		<b>47,940</b>	<b>75,283</b>
<b>Equity attributable to members of ASPT:</b>			
Contributed equity		334,610	333,683
Reserves		259	(1,346)
Retained earnings		464,005	412,174
<b>Total equity attributable to members of ASPT:</b>		<b>798,874</b>	<b>744,511</b>
<b>Equity attributable to members of ASOL:</b>			
Contributed equity		84,424	84,059
Reserves		(31)	(351)
Retained earnings		632,308	521,798
<b>Total equity attributable to members of ASOL:</b>		<b>716,701</b>	<b>605,506</b>
<b>TOTAL EQUITY</b>		<b>3,361,689</b>	<b>3,501,109</b>
Contributed equity	12	2,596,649	2,593,346
Reserves		4,144	1,244
Retained earnings		760,668	906,519
Reserves of discontinued operations		228	-
<b>TOTAL EQUITY</b>		<b>3,361,689</b>	<b>3,501,109</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**  
**YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income receipts		358,605	326,560
Interest received		853	111
Distributions received		12,579	10,136
Income tax paid		(12,047)	(11,503)
Finance costs paid		(46,952)	(31,626)
Operating payments		(159,988)	(134,477)
Payments for inventory		-	(938)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>8</b>	<b>153,050</b>	<b>158,263</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investments and funds advanced		(1,158)	(326,823)
Proceeds from sale and settlement of investments and funds repaid		75,325	142,502
Purchase of property, plant and equipment		(8,304)	(3,745)
Proceeds from disposal of property, plant and equipment		49	8
Payments for investment properties and capital expenditure		(396,786)	(805,497)
Proceeds from disposal of investment properties		83,438	170,054
Payment for other investments and financial assets		(48,078)	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(295,514)</b>	<b>(823,501)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of stapled securities		-	203,290
Payment of issue costs		(42)	(4,051)
Payment of borrowing costs		(671)	(4,396)
Repayment of borrowings and financial instruments		(1,783)	(65,665)
Repayment of principal portion of lease liabilities		(896)	(1,371)
Proceeds from borrowings		271,364	758,934
Distributions paid		(166,547)	(102,818)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>101,425</b>	<b>783,923</b>
Net increase in cash and cash equivalents from continuing operations		11,373	39,365
Net (decrease)/increase in cash and cash equivalents from discontinued operations	21	(52,412)	79,320
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(41,039)</b>	<b>118,685</b>
Net foreign exchange differences		22	(172)
Cash and cash equivalents at beginning of period		176,505	57,992
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>8</b>	<b>135,488</b>	<b>176,505</b>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2023**

	Attributable to the stapled security holders				
	Issued capital \$'000	Reserves of discontinued Operations* \$'000	Employee equity benefits \$'000	Retained earnings \$'000	Total equity \$'000
<b>CONSOLIDATED</b>					
<b>At 1 July 2022</b>	2,593,346	(1,697)	2,941	906,519	3,501,109
Other comprehensive income	-	1,925	-	-	1,925
Net income for the period	-	-	-	25,495	25,495
<b>Total comprehensive income for the period</b>	-	1,925	-	25,495	27,420
Issue costs	(42)	-	-	-	(42)
Distribution reinvestment plan	3,345	-	-	-	3,345
Security acquisition rights	-	-	1,203	-	1,203
Distribution to security holders	-	-	-	(171,346)	(171,346)
<b>At 30 June 2023</b>	<b>2,596,649</b>	<b>228</b>	<b>4,144</b>	<b>760,668</b>	<b>3,361,689</b>

\*The reserves of discontinued operations are foreign currency translation reserve.

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

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30 JUNE 2023

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## NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2023

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 2023 was authorised for issue in accordance with a resolution of the directors on 18 August 2023.

The nature of the operations and principal activities of the 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*

The Group makes judgements in respect of the fair value of investment properties (Note 22(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.

##### *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.

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

##### *Fair value of derivatives*

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

## NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2023

### SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### *Fair value of financial assets*

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

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

The Group determines whether goodwill, intangible assets and other non-financial assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangible assets are allocated. For goodwill and intangible assets this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangible assets are discussed in Note 20.

#### *Taxes*

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

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**NOTES TO THE FINANCIAL STATEMENTS – Segment Information****30 JUNE 2023**

The Group predominately operates in Australia. The Group’s operating segments are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resource allocation and to assess performance.

The Group’s operating segments are:

- (a) Continuing Operations – Commercial: the segment is responsible for the management and ownership of commercial (office and other) properties. This segment also includes the equity accounting of co-investments in property entities and secured property loan; and
- (b) Discontinued Operations – Self Storage: the segment is responsible for the management, operation and ownership of self storage properties. This segment also includes the operating business Storage King, ownership of listed securities and equity accounting of co-investments.

The FY22 segment information on net profit and balance sheet have been restated to split the continuing operations and discontinued operations into separate segments.

The segment result includes transactions between operating segments which have been eliminated.

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information**
**30 JUNE 2023**

	Core		Consolidated \$'000
	Continuing operations Commercial \$'000	Discontinued operations Self Storage \$'000	
<b>Year ended 30 June 2023</b>			
<b>Revenue</b>			
Rental income	147,075	190,454	337,529
Finance income	3,483	450	3,933
Fee income	1,455	16,824	18,279
<b>Total revenue</b>	<b>152,013</b>	<b>207,728</b>	<b>359,741</b>
Other income	60	11,426	11,486
<b>Total consolidated revenue and other income</b>	<b>152,073</b>	<b>219,154</b>	<b>371,227</b>
Net change in fair value of investments and financial instruments derecognised	(1,023)	12,254	11,231
Net change in fair value of investment properties derecognised	(9,097)	(60)	(9,157)
Net change in fair value of investments held at balance date	(854)	16,485	15,631
Share of loss from equity accounted investments	(8,846) <sup>^</sup>	(314) <sup>*</sup>	(9,160)
Net change in investment properties held at balance date	(247,617)	150,304	(97,313)
Property expenses and outgoings	(41,880)	(42,758)	(84,638)
Depreciation and amortisation expense	(5,800)	(3,434)	(9,234)
Administrative and other expenses	(35,361)	(43,470)	(78,831)
Costs associated with de-stapling	(4,097)	(4,138)	(8,235)
<b>Segment result</b>	<b>(202,502)</b>	<b>304,023</b>	<b>101,521</b>
Net change in fair value of derivatives	(20,220)	13,559	(6,661)
Finance costs	(9,893)	(43,802)	(53,695)
<b>Profit/(loss) before tax</b>	<b>(232,615)</b>	<b>273,780</b>	<b>41,165</b>
Income tax expense	(5,650)	(10,020)	(15,670)
<b>Net profit/(loss) for the year attributable to members of the Group</b>	<b>(238,265)</b>	<b>263,760</b>	<b>25,495</b>

<sup>^</sup> includes fair value loss of \$15.4 million

<sup>\*</sup> includes fair value loss of \$0.7 million

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**
**30 JUNE 2023**

Year ended 30 June 2022	Core		Non-Core	Consolidated
	Commercial	Self Storage	Development	
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
Rental income	130,539	160,538	-	291,077
Finance income	3,030	5	8,199	11,234
Fee income	2,082	15,228	-	17,310
<b>Total revenue</b>	<b>135,651</b>	<b>175,771</b>	<b>8,199</b>	<b>319,621</b>
Other income	324	10,961	-	11,285
<b>Total consolidated revenue and other income</b>	<b>135,975</b>	<b>186,732</b>	<b>8,199</b>	<b>330,906</b>
Net change in fair value of property, plant and equipment, investments and financial instruments derecognised	(107)	5,033	-	4,926
Net change in fair value of investment properties derecognised	(992)	(43)	-	(1,035)
Net change in fair value of investments held at balance date	622	17,286	-	17,908
Net change in investment properties held at balance date	40,308	305,242	-	345,550
Share of profit from equity accounted investments	13,441 <sup>^</sup>	-	(12)	13,429
Property expenses and outgoings	(33,370)	(36,276)	-	(69,646)
Depreciation and amortisation expense	(6,070)	(2,932)	-	(9,002)
Impairment charges	(1,028)	-	(3,875)	(4,903)
Administrative and other expenses	(29,289)	(37,301)	(3,452)	(70,042)
<b>Segment result</b>	<b>119,490</b>	<b>437,741</b>	<b>860</b>	<b>558,091</b>
Net change in fair value of derivatives	28,101	-	-	28,101
Finance costs	(19,217)	(19,343)	-	(38,560)
<b>Profit before tax</b>	<b>128,374</b>	<b>418,398</b>	<b>860</b>	<b>547,632</b>
Income tax expense	(9,995)	(20,472)	-	(30,467)
<b>Net profit for the year attributable to members of the Group</b>	<b>118,379</b>	<b>397,926</b>	<b>860</b>	<b>517,165</b>

<sup>^</sup> includes fair value gain of \$4.9 million

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**
**30 JUNE 2023**

	Continuing Operations Commercial \$'000	Discontinued Operations Self Storage* \$'000	Total \$'000
<b>As at 30 June 2023</b>			
Current assets	152,876	3,072,416	3,225,292
Non-current assets	2,380,882	-	2,380,882
<b>Total assets</b>	<b>2,533,758</b>	<b>3,072,416</b>	<b>5,606,174</b>
Current liabilities	83,663	1,142,401	1,226,064
Non-current liabilities	1,018,421	-	1,018,421
<b>Total liabilities</b>	<b>1,102,084</b>	<b>1,142,401</b>	<b>2,244,485</b>
<b>Net assets</b>	<b>1,431,674</b>	<b>1,930,015</b>	<b>3,361,689</b>
Total facilities - bank loans	1,057,750	1,000,000	2,057,750
Facilities used at reporting date - bank loans	(972,750)	(979,107)	(1,951,857)
<b>Facilities unused at reporting date - bank loans</b>	<b>85,000</b>	<b>20,893</b>	<b>105,893</b>

\* Details of assets and liabilities are disclosed in Note 21.

	Commercial \$'000	Self Storage \$'000	Total \$'000
<b>As at 30 June 2022</b>			
Current assets	111,061	137,066	248,127
Non-current assets	2,584,440	2,574,492	5,158,932
<b>Total assets</b>	<b>2,695,501</b>	<b>2,711,558</b>	<b>5,407,059</b>
Current liabilities	48,342	89,608	137,950
Non-current liabilities	943,132	824,868	1,768,000
<b>Total liabilities</b>	<b>991,474</b>	<b>914,476</b>	<b>1,905,950</b>
<b>Net assets</b>	<b>1,704,027</b>	<b>1,797,082</b>	<b>3,501,109</b>
Total facilities - bank loans			2,057,750
Facilities used at reporting date - bank loans			(1,677,011)
<b>Facilities unused at reporting date - bank loans</b>			<b>380,739</b>



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 1. REVENUE

	2023	2022
	\$'000	\$'000
<b>Finance income</b>		
Interest and fee income on secured loans - amortised cost	2,963	2,924
Interest and fee income on secured loans - fair value	-	8,199
Bank interest	520	106
<b>Total finance income</b>	<b>3,483</b>	<b>11,229</b>

### 2. EARNINGS PER STAPLED SECURITY

	2023	2022
Basic and diluted earnings per stapled security (cents)	2.85	61.11
Basic and diluted earnings per stapled security for continuing operations (cents)	(26.67)	14.09
<b>Reconciliation of earnings used in calculating earnings per stapled security</b>		
<i>Basic and diluted earnings per stapled security</i>		
Continuing operations	(238,265)	119,239
Discontinued operations	263,760	397,926
<b>Net profit (\$'000)</b>	<b>25,495</b>	<b>517,165</b>
<b>Weighted average number of securities:</b>		
Weighted average number of stapled securities for basic earning per security ('000)	893,452	846,260

### 3. EXPENSES

	2023	2022
	\$'000	\$'000
<b>(a) 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	1,068	(630)
Net change in fair value of property loans held at balance date	-	-
Net change in fair value of other investments held at balance date	(214)	8
<b>Total change in fair value of investments held at balance date</b>	<b>854</b>	<b>(622)</b>
<b>(b) Depreciation and amortisation expenses</b>		
Depreciation and amortisation of property, plant and equipment and intangible assets	912	1,401
Amortisation - leasing costs	4,888	4,669
<b>Total depreciation and amortisation expenses</b>	<b>5,800</b>	<b>6,070</b>
<b>(c) Finance costs</b>		
Interest on loans	9,491	16,157
Amortisation of finance costs	402	3,060
<b>Total finance costs</b>	<b>9,893</b>	<b>19,217</b>
<b>(d) Administrative and other expenses</b>		
Wages and salaries	25,406	23,397
Contributions to defined contribution plans	1,544	1,113
Other expenses	8,165	8,231
Restructuring cost	4,343	-
<b>Total administrative and other expenses</b>	<b>39,458</b>	<b>32,741</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 4. INCOME TAX

	2023	2022
	\$'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	7,119	(7,733)
Adjustments in respect of current income tax of previous years	264	670
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,733)	17,058
<b>Total income tax expense</b>	<b>5,650</b>	<b>9,995</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/(loss) before tax from continuing operations	(232,615)	129,235
Profit before tax from discontinued operations	273,780	418,397
<b>Profit before income tax expense</b>	<b>41,165</b>	<b>547,632</b>
Prima facie income tax expense calculated at 30% (AU)	11,604	163,218
Prima facie income tax expense calculated at 28% (NZ)	696	1,000
Less prima facie income tax expense on profit from Trusts	(1,184)	(135,853)
Prima Facie income tax of entities subject to income tax	11,116	28,365
Adjustment of prior year tax applied	270	654
Unrecognised tax benefit on tax losses	4,590	1,614
Share of results of joint ventures and associates	(387)	(418)
Security acquisition rights	(152)	71
Other items (net)	233	181
<b>Total income tax expense</b>	<b>15,670</b>	<b>30,467</b>
Less income tax expense attributable to discontinued operations	(10,020)	(20,472)
<b>Income tax expense attributable to continuing operations</b>	<b>5,650</b>	<b>9,995</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 4. INCOME TAX (continued)

	2023	2022
	\$'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	40,125	36,551
Revaluation of investments and financial instruments at fair value	397	1,775
Capital allowances	2,299	2,140
Brand	9,489	9,489
Other	9,782	8,968
<b>Gross deferred income tax liabilities</b>	<b>62,092</b>	<b>58,923</b>
Set off against deferred tax assets	(4,872)	(6,017)
<b>Net deferred income tax liabilities</b>	<b>57,220</b>	<b>52,906</b>
Less deferred tax liabilities attributable to discontinued operations	(47,485)	
<b>Deferred tax liabilities</b>	<b>9,735</b>	
<b>Deferred tax assets</b>		
Revaluation of investments and financial instruments at fair value	-	65
Provisions - employee entitlements	4,804	4,126
Losses available for offset against future taxable income	10,204	16,885
Other	1,505	939
<b>Gross deferred income tax assets</b>	<b>16,513</b>	<b>22,015</b>
Set off of deferred tax liabilities	(4,872)	(6,017)
<b>Net deferred income tax assets</b>	<b>11,641</b>	<b>15,998</b>
Less deferred tax assets attributable to discontinued operations	-	
<b>Deferred tax assets</b>	<b>11,641</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 entities 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 2023

### 5. INVESTMENT PROPERTIES

	2023	2022
	\$'000	\$'000
Leasehold investment properties <sup>1</sup>	13,022	13,272
Freehold investment properties	4,699,013	4,487,310
<b>Total investment properties</b>	<b>4,712,035</b>	<b>4,500,582</b>

1. The carrying amount of the leasehold property is presented gross of the finance liability of \$2.4 million (30 June 2022: \$2.5 million).

	2023	2022
	\$'000	\$'000
<b>Investment properties - continuing operations</b>		
Commercial	2,099,876	2,260,633
Self Storage	-	2,239,949
<b>Total investment properties</b>	<b>2,099,876</b>	<b>4,500,582</b>
<b>Investment properties - discontinued operations</b>		
Self Storage	2,612,159	-
<b>Total investment properties including held for sale</b>	<b>4,712,035</b>	<b>4,500,582</b>

#### Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the period is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 11:

#### Continuing Operations

	Held for sale		Non-current	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
<b>Freehold investment properties</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at beginning of the financial period	-	161,571	2,260,633	1,758,166
Additions	-	-	99,506	508,927
Capital expenditure	-	511	77,385	72,353
Net change in fair value as at balance date	-	-	(247,617)	40,308
Net change in fair value derecognised	-	(685)	(9,097)	(307)
Disposals	-	(161,397)	(83,061)	(120,695)
Straightlining <sup>1</sup>	-	-	2,127	1,881
<b>Carrying amount at end of the period</b>	<b>-</b>	<b>-</b>	<b>2,099,876</b>	<b>2,260,633</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 5. INVESTMENT PROPERTIES (continued)

#### Discontinued Operations

	2023	2022
	\$'000	\$'000
<b>Leasehold investment properties</b>		
Carrying amount at beginning of the financial period	13,272	11,613
Capital expenditure	14	27
Net change in fair value as at balance date	(264)	1,632
<b>Carrying amount at end of the period</b>	<b>13,022</b>	<b>13,272</b>

	30 Jun 2023	30 Jun 2022
	\$'000	\$'000
<b>Freehold investment properties</b>		
Carrying amount at beginning of the financial period	2,226,677	1,418,592
Additions	142,358	466,833
Capital expenditure	74,242	46,396
Net change in fair value as at balance date	150,568	303,610
Net change in fair value derecognised	(60)	(44)
Effect of movements in foreign exchange	5,352	(8,710)
<b>Carrying amount at end of the period</b>	<b>2,599,137</b>	<b>2,226,677</b>

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

#### Sensitivity Information

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 5. INVESTMENT PROPERTIES (continued)

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

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

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

External valuations are conducted by qualified independent valuers who are appointed by the Chief Investment Officer who is also responsible for the Group's internal valuation process. He is assisted by in-house certified professional 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 10.

The weighted average capitalisation rate for Abacus is 5.64% (30 June 2022: 5.39%) and for each significant category above is as follows:

- Self Storage – 5.57% (30 June 2022: 5.45%)
- Commercial – 5.71% (30 June 2022: 5.33%)

The optimal occupancy rate utilised in the valuation process ranged from 82.5% to 100.0% (30 June 2022: 80.0% to 100.0%). The current occupancy rate for the principal commercial portfolio excluding development and self storage assets is 95.1% (30 June 2022: 95.0%). The occupancy rate for the established self storage portfolio is 91.3% (30 June 2022: 92.9%).

The key assumptions and estimates used in the valuations include:

- forecast future rental income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties;
- lease assumptions based on current and expected future market conditions after expiry of any current lease; and
- the capitalisation rate and discount rate derived from recent comparable market transactions.

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

In the event that there are any unanticipated material circumstances, this may 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 \$96.1 million or decrease the fair value by \$88.1 million respectively.

During the year ended 30 June 2023, 100% (2022: 60%) of the number of investment properties in the portfolio were subject to external valuations. Those properties that were subject to an external valuation prior to 30 June 2023 were subject to an internal valuation at 30 June 2023.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 5. INVESTMENT PROPERTIES (continued)

	Ownership Interest %	Fair Value 2023 \$'000	Capitalisation Rate 2023 %	Fair Value 2022 \$'000	Capitalisation Rate 2022 %
<b>Commercial</b>					
99 Walker Street, North Sydney NSW	100	288,000	5.50	308,000	5.00
77 Castlereagh St, Sydney NSW	100	225,500	5.13	250,000	4.63
201 Elizabeth Street, Sydney NSW	32	215,360	5.13	227,200	4.63
The Oasis, Broadbeach QLD	100	178,000	6.75	178,000	6.75
314-336 Bourke Street, Melbourne VIC	33	150,000	5.63	153,333	5.50
452 Johnston Street, Abbotsford VIC	100	133,000	5.50	140,000	5.25
14 Martin Place, Sydney NSW	50	112,500	5.13	121,500	4.75
Industry Lanes, Richmond, VIC	50	104,000	5.13	110,850	4.75
Westpac House, Adelaide SA	50	86,000	6.88	91,250	6.50
324 Queen Street, Brisbane QLD <sup>1</sup>	100	169,000	6.13	91,250	5.63
Ashfield Shopping Centre, Ashfield NSW	50	77,766	5.75	88,000	5.50
Kingsgate, Fortitude Valley QLD	50	78,000	6.25	82,000	5.75
181 James Ruse Drive, Camellia NSW	100	66,000	N/A	77,500	N/A
51 Allara Street, Canberra ACT - Current	100	61,000	6.75	72,500	6.25
Market Central, Lutwyche QLD	50	60,350	6.25	70,350	5.75
11 Bowden Street, Alexandria NSW	100	45,000	5.88	55,500	5.25
Other (2 assets; 2022: 4 assets) <sup>2</sup>	100	50,400	5.13	143,400	4.91
<b>Total Commercial</b>		<b>2,099,876</b>	<b>5.71</b>	<b>2,260,633</b>	<b>5.33</b>
<b>Self Storage</b>					
NSW (47 facilities; 2022: 42 facilities) <sup>3</sup>	100	960,332	5.20	829,914	5.06
VIC (25 facilities; 2022: 23 facilities) <sup>4</sup>	100	428,881	5.78	378,239	5.57
QLD (24 facilities; 2022: 21 facilities) <sup>5</sup>	100	420,415	5.66	326,365	5.53
ACT (6 facilities; 2022: 6 facilities)	100	285,097	5.28	249,162	5.28
WA (10 facilities; 2022: 10 facilities)	100	185,382	6.28	149,132	6.42
SA (3 facilities; 2022: 2 facilities) <sup>6</sup>	100	29,660	6.00	23,308	5.87
NZ (15 facilities; 2022: 15 facilities)	100	302,392	6.00	283,829	5.82
<b>Total Self Storage</b>		<b>2,612,159</b>	<b>5.57</b>	<b>2,239,949</b>	<b>5.45</b>

1. In August 2022, Abacus acquired remaining 50% interest in 324 Queen St, Brisbane QLD.

2. In June 2023, Abacus has divested 2 non-core assets being 187 Todd Road, VIC and 33 Queen St QLD.

3. Abacus has acquired 5 properties in NSW being Chatswood, Leumeah, Carlton, Croydon and Kogarah.

4. Abacus has acquired 2 properties in VIC being Dandenong and Mulgrave.

5. Abacus has acquired 3 properties in QLD being Loganholme, Capalaba and Currumbin.

6. Abacus has acquired 1 property in Darlington SA.

**NOTES TO THE FINANCIAL STATEMENTS**
**30 JUNE 2023**
**6. PROPERTY LOANS AND OTHER FINANCIAL ASSETS**

	2023	2022
	\$'000	\$'000
<b>(a) Non-current property loans</b>		
Secured loans - amortised cost	53,148	53,148
Provision for secured loans - amortised cost	(6)	(4)
	<b>53,142</b>	<b>53,144</b>
<b>(b) Non-current other financial assets</b>		
Other financial assets	-	240,469
Investment in securities and options - unlisted - fair value	3,987	3,865
	<b>3,987</b>	<b>244,334</b>

Other financial assets associated with discontinued operations of \$224.1 million was disclosed in Note 21.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Fordtrans Pty Ltd*		AW 710 Collin St Trust		Other Joint Ventures		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue	10,286	12,032	8,617	10,112	9,528	16,984	28,431	39,128
Expenses	(6,899)	(4,446)	(16,730)	(1,776)	(21,837)	(5,254)	(45,466)	(11,476)
<b>Net profit / (loss)</b>	<b>3,387</b>	<b>7,586</b>	<b>(8,113)</b>	<b>8,336</b>	<b>(12,309)</b>	<b>11,730</b>	<b>(17,035)</b>	<b>27,652</b>
<b>Share of net profit / (loss)</b>	<b>1,631</b>	<b>3,621</b>	<b>(4,238)</b>	<b>3,886</b>	<b>(6,239)</b>	<b>5,922</b>	<b>(8,846)</b>	<b>13,429</b>

\*Included in the net profit of Fordtrans Pty Ltd for the year ended 30 June 2023: Interest income \$0.8 million (2022: \$1.5 million) and interest expense \$1.6 million (2022: \$1.5 million)

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

	Fordtrans Pty Ltd*		AW 710 Collin St Trust		Other Joint Ventures		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current assets	2,732	5,824	964	772	84,111	3,939	87,807	10,535
Non-current assets	246,627	245,859	103,000	117,000	13,845	108,467	363,472	471,326
	249,359	251,683	103,964	117,772	97,956	112,406	451,279	481,861
Current liabilities	(82,093)	(5,911)	(3,662)	(3,548)	(35,244)	(12,562)	(120,999)	(22,021)
Non-current liabilities	-	(79,554)	-	-	(13,223)	(34,825)	(13,223)	(114,379)
<b>Net assets</b>	<b>167,266</b>	<b>166,218</b>	<b>100,302</b>	<b>114,224</b>	<b>49,489</b>	<b>65,019</b>	<b>317,057</b>	<b>345,461</b>
<b>Share of net assets</b>	<b>83,633</b>	<b>83,109</b>	<b>50,151</b>	<b>57,112</b>	<b>24,890</b>	<b>32,740</b>	<b>158,674</b>	<b>172,961</b>

\*Included in the net assets of Fordtrans Pty Ltd as at 30 June 2023: cash and cash equivalents \$0.6 million (2022: \$4.1 million), current interest bearing loans and borrowings \$75.0 million (2022: \$Nil) and non-current interest bearing loans and borrowings \$Nil (2022: \$65.1 million).

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

#### 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 2023 was \$1.2 million (2022: \$2.3 million).

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

Abacus' share of distributions (including capital distributions) for the year ended 30 June 2023 was \$2.9 million (2022: \$2.0 million).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 8. CASH AND CASH EQUIVALENTS

	2023	2022
	\$'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>	71,900	176,505
Cash at bank and in hand attributable to discontinued operations <sup>1</sup>	63,588	-
<b>Cash and cash equivalents</b>	<b>135,488</b>	<b>176,505</b>
1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.		
Net profit from continuing operations	(238,265)	119,239
Net profit from discontinued operations	263,760	397,926
Net profit	25,495	517,165
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	9,234	9,002
Net change in fair value of derivatives	6,661	(28,101)
Net change in fair value of investment properties held at balance date	97,313	(345,550)
Net change in fair value of investments held at balance date	(15,631)	(17,907)
Net change in fair value of investment properties derecognised	9,157	1,035
Net change in fair value of investment and financial instruments derecognised	(11,266)	(4,919)
Net (gain) / loss on disposal of property, plant and equipment	35	(8)
Share of profit from equity accounted investments	9,160	(13,429)
Increase / (decrease) in payables	21,940	24,986
(Increase) / decrease in receivables and other assets	952	15,989
<b>Net cash from operating activities</b>	<b>153,050</b>	<b>158,263</b>

#### (a) Disclosure of financing facilities

Refer to Note 10.

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

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 1.2 million (2022: 13.7 million) stapled securities were issued with a cash equivalent of \$3.3 million (2022: \$44.3 million).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 10. INTEREST BEARING LOANS AND BORROWINGS

	2023 \$'000	2022 \$'000
<b>Non-current</b>		
Bank loans - A\$	972,757	1,492,137
Bank loans - A\$ value of NZ\$ denominated loan	-	184,885
Loan from related party - A\$	34,222	32,654
Less: Unamortised borrowing costs	(471)	(435)
<b>(a) Total non-current</b>	<b>1,006,508</b>	<b>1,709,241</b>

	2023 \$'000	2022 \$'000
<b>(b) Maturity profile of non-current interest bearing loans</b>		
Due within one year	-	-
Due between one and five years	789,008	883,172
Due after five years	217,500	826,069
	<b>1,006,508</b>	<b>1,709,241</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 including discontinued operations are A\$ and NZ\$ denominated and are provided by several banks at interest rates which are set periodically on a fixed or floating basis. The loan facilities term to maturity varies from July 2024 to July 2028. The bank loans are secured by charges over the investment properties and certain property, plant and equipment.

Including the discontinued operations, approximately 61.3% (30 June 2022: 76.1%) of bank debt drawn was subject to fixed rate hedges and the drawn bank debt had a weighted average term to maturity of 3.5 years (30 June 2022: 4.7 years). Hedge cover as a percentage of available facilities at 30 June 2023 is 58.2% (30 June 2022: 62.1%). 100% of the available facilities and drawn bank for the continued operations were subject to fixed rate hedges, and the drawn bank debt had a weighted average term to maturity of 3.8 years.

Abacus' weighted average interest rate including discontinued operations for the year ended 30 June 2023 was 2.78% (30 June 2022: 2.07%). The weighted average interest rate for the continued operations for the year ended 30 June 2023 was 1.12%. The weighted average interest rate included line fees on undrawn facilities.

#### (c) Assets pledged as security

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

	2023 \$'000	2022 \$'000
<b>Non-current</b>		
<i>First mortgage</i>		
Investment properties	2,099,876	4,062,149
Total non-current assets pledged as security	2,099,876	4,062,149
<b>Total assets pledged as security</b>	<b>2,099,876</b>	<b>4,062,149</b>

Total assets pledged as security associated with discontinued operations was \$2,150.6 million.

#### (d) Defaults and breaches

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 11. FINANCIAL INSTRUMENTS

#### Financial Risk Management

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

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

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

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the section about this report and Note 22 to the financial statements.

#### (a) Credit risk

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

The Group manages its exposure to risk by:

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 11. 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	
	2023	2022
	\$'000	\$'000
Receivables	46,637	43,472
Listed and unlisted property securities	3,987	244,334
Cash and cash equivalents	71,900	176,505
Derivatives	44,824	58,941
<b>Cash and other financial assets</b>	<b>167,348</b>	<b>523,252</b>
Secured property loans - amortised cost *	53,142	53,144
<b>Secured property loans</b>	<b>53,142</b>	<b>53,144</b>
<b>Total credit risk exposure</b>	<b>220,490</b>	<b>576,396</b>

\* The secured property loan is with one borrower.

#### (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 2023	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>					
Trade and other payables	57,584	57,584	57,584	-	-
Interest bearing loans and borrowings incl derivatives#	1,006,508	1,214,877	48,414	948,852	217,611
<b>Total liabilities</b>	<b>1,064,092</b>	<b>1,272,461</b>	<b>105,998</b>	<b>948,852</b>	<b>217,611</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 11. FINANCIAL INSTRUMENTS (continued)

#### (b) Liquidity risk (continued)

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

# Carrying amount includes fair value of derivative liabilities. Contractual cash flow 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 2023, after taking into account the effect of interest rate swaps, approximately 61.3% (2022: 76.1%) of the Group's drawn debt is subject to fixed rate hedges. Hedge cover as a percentage of available facilities at 30 June 2023 is 58.2% (2022: 62.1%). 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 2023**
**11. FINANCIAL INSTRUMENTS (continued)**
**(c) Market risk (continued)**

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

	Floating interest rate	Fixed interest less than 1 year	Fixed interest 1 to 5 years	Fixed interest over 5 years	Non interest bearing	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
Cash and cash equivalents	71,900	-	-	-	-	71,900
Receivables	-	-	-	-	46,637	46,637
Secured loans	-	-	53,142	-	-	53,142
Derivatives	-	30,283	14,541	-	-	44,824
Other financial assets	-	-	-	-	3,987	3,987
<b>Total financial assets</b>	<b>71,900</b>	<b>30,283</b>	<b>67,683</b>	<b>-</b>	<b>50,624</b>	<b>220,490</b>
Weighted average interest rate*^	4.07%		5.50%			
<b>Financial liabilities</b>						
Interest bearing liabilities - bank	926,007	-	46,750	-	(471)	972,286
Interest bearing liabilities - other	-	-	34,222	-	-	34,222
Derivatives	-	20,603	859	-	-	21,462
Payables	-	-	-	-	57,584	57,584
<b>Total financial liabilities</b>	<b>926,007</b>	<b>20,603</b>	<b>81,831</b>	<b>-</b>	<b>57,113</b>	<b>1,085,554</b>
Notional principal swap balance maturities*	-	950,000	1,110,000	-	-	2,060,000
Weighted average interest rate on drawn bank debt*	1.12%					



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 11. FINANCIAL INSTRUMENTS (continued)

#### (c) Market risk (continued)

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

\* calculated for the year ended 30 June

^ weighted average interest rate excludes the impact of derivatives

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

	Carrying amount	AUD			
	Floating	-1%	+1%	Equity	
30 June 2023	\$'000	Profit	Profit	Equity	Equity
		\$'000	\$'000	\$'000	\$'000
Financial assets	71,900	(719)		-	719
Financial liabilities	926,007	(4,138)		-	5,761

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 11. 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.

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 11. 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 period ended 30 June 2023.

	Secured loans (fair value) \$'000	Unlisted securities/ options \$'000	Total \$'000
Opening balance as at 30 June 2022	-	3,865	3,865
Fair value movement through the income statement	-	(846)	(846)
Additions	-	968	968
Disposals	-	-	-
<b>Closing balance as at 30 June 2023</b>	-	<b>3,987</b>	<b>3,987</b>

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

#### 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 (30 June 2022: \$0.1 million) or increase the fair value by \$0.1 million (30 June 2022: \$0.1 million) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 12. CONTRIBUTED EQUITY

	2023	2022
	\$'000	\$'000
<b>(a) Issued stapled securities</b>		
Stapled securities	2,649,833	2,646,488
Issue costs	(53,184)	(53,142)
<b>Total contributed equity</b>	<b>2,596,649</b>	<b>2,593,346</b>

	Stapled securities	
	Number	Number
	2023	2022
	'000	'000
<b>(b) Movement in stapled securities on issue</b>		
<b>At beginning of financial period</b>	892,429	818,591
- equity raisings	-	60,145
- distribution reinvestment plan	1,229	13,693
<b>Securities on issue at end of financial period</b>	<b>893,658</b>	<b>892,429</b>

### 13. DISTRIBUTIONS PAID AND PROPOSED

	2023	2022
	\$'000	\$'000
<b>(a) Distributions paid during the period</b>		
June 2022 half: 9.25 cents per stapled security (2021: 8.50 cents)	82,550	73,673
December 2022 half: 9.00 cents per stapled security (2021: 8.75 cents)	80,429	72,784
<b>(b) Distributions declared and recognised as a liability<sup>^</sup></b>		
June 2023 half: 9.40 cents per stapled security (2022: 9.25 cents)	84,004	82,550

<sup>^</sup> The final distribution of 9.40 cents per stapled security declared on 19 June 2023. The distribution being paid on or around 31 August 2023 will be approximately \$84 million.

Distributions were paid from Abacus 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 \$120 million (2022: \$103 million). \$87.5 million is attributable to continuing operations and \$32.5 million is attributable to discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 14. PARENT ENTITY FINANCIAL INFORMATION

	2023	2022
	\$'000	\$'000
<b>Results of the parent entity</b>		
Profit for the year	95,608	4,890
<b>Total comprehensive expense for the year</b>	<b>95,608</b>	<b>4,890</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	4,528	4,291
<b>Total assets</b>	<b>837,485</b>	<b>757,280</b>
Current liabilities	809	225
<b>Total liabilities</b>	<b>243,114</b>	<b>260,362</b>
<b>Net assets</b>	<b>594,371</b>	<b>496,918</b>
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	568,862	568,221
Retained earnings / Accumulated losses	21,365	(74,244)
Employee options reserve	4,144	2,941
<b>Total equity</b>	<b>594,371</b>	<b>496,918</b>

**(a) Parent entity contingencies**

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

**(b) Parent entity capital commitments**

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

**NOTES TO THE FINANCIAL STATEMENTS**
**30 JUNE 2023**
**15. PROPERTY, PLANT AND EQUIPMENT**

	2023	2022
	\$'000	\$'000
<b>Non-current</b>		
Right of use property asset	-	453
Storage equipment	-	20,670
Office equipment / furniture and fittings	458	545
<b>Total non-current property, plant and equipment</b>	<b>458</b>	<b>21,668</b>

	2023	2022
	\$'000	\$'000
<b>Right of use property asset</b>		
At the beginning of the period net of accumulated depreciation	453	1,360
Depreciation charge for the period	(453)	(907)
<b>At the end of the period net of accumulated depreciation</b>	<b>-</b>	<b>453</b>
Gross value	3,173	3,173
Accumulated depreciation	(3,173)	(2,720)
<b>Net carrying amount at end of the period</b>	<b>-</b>	<b>453</b>

<b>Plant and equipment</b>		
At the beginning of the period net of accumulated depreciation	21,215	20,304
Transferred to discontinued operations	(20,670)	-
Additions	189	3,607
Exchange differences	-	(225)
Depreciation charge for the period	(276)	(2,471)
<b>At the end of the period net of accumulated depreciation</b>	<b>458</b>	<b>21,215</b>

<b>Plant and equipment</b>		
Gross value	2,634	34,678
Accumulated depreciation	(2,176)	(13,463)
<b>Net carrying amount at end of the period</b>	<b>458</b>	<b>21,215</b>

<b>Total</b>	<b>458</b>	<b>21,668</b>
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## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 16. COMMITMENTS AND CONTINGENCIES

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

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

	2023 \$'000	2022 \$'000
Within one year	107,453	106,998
Within two years	96,257	94,576
Within three years	85,591	81,837
Within four years	69,975	69,193
Within five years	52,064	53,164
More than five years	118,158	134,657
	<b>529,498</b>	<b>540,425</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 2023 the Group had numerous commitments which principally related to property acquisition settlements, loan facility guarantees for the Group's interest in the jointly controlled property developments and funds management vehicles, commitments relating to property refurbishing costs and unused mortgage loan facilities to third parties.

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

	2023 \$'000	2022 \$'000
Within one year		
- gross settlement of property and investment acquisitions	3,806	48,526
- property refurbishment costs	36,444	24,621
- property development costs	11,858	81,636
	<b>52,108</b>	<b>154,783</b>

#### (c) Contingencies

At 30 June 2023 the Group had a \$12.5 million bank guarantee facility which expires in July 2025 (2022: \$10.0 million) and \$7.5 million of bank guarantees had been issued from the facility (2022: \$7.5 million).

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

	2023 \$'000	2022 \$'000
Bank guarantees		
- Australian Financial Service Licences	7,500	7,500
- redevelopment of investment properties	1,163	1,502
- lease of office premises	-	564
	<b>8,663</b>	<b>9,566</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 17. RELATED PARTY DISCLOSURES

#### (a) Subsidiaries

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

Entity	Equity interest	
	2023 %	2022 %
<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
Abacus Nominee Services Pty Limited	100	100
Abacus Nominees (No 5) Pty Limited	100	100
Abacus Nominees (No 7) Pty Limited	100	100
Abacus Nominees (No 9) Pty Limited	100	100
Abacus Nominees (No 11) Pty Limited	100	100
Abacus Note Facilities Pty Ltd	100	100
Abacus Property Services Pty Ltd	100	100
Abacus SP Note Facility Pty Ltd	100	100
Abacus Storage Funds Management Limited	100	100
Abacus Camellia Investments Pty Limited	100	100
Abacus Riverlands Investments 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 2023**
**17. RELATED PARTY DISCLOSURES (continued)**
**(a) Subsidiaries (continued)**

Entity	Equity interest	
	2023 %	2022 %
<i>Abacus Trust and its subsidiaries:</i>		
Abacus Abbotsford Trust	100	100
Abacus Ann Street Trust	100	100
Abacus Ashfield Mall Property Trust	100	100
Abacus Bowden Street Trust	100	100
Abacus K1 Property Trust	100	100
Abacus Lutwyche Trust	100	100
Abacus Oasis Trust	100	100
Abacus Potts Point Trust	-	100
Abacus Richmond Trust	100	100
Abacus Shopping Centre Trust	100	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
444 Queen Street Trust	-	100
Lutwyche City Shopping Centre Unit Trust	100	100
Oasis JV Unit Trust	100	100
<i>Abacus Income Trust and its subsidiaries:</i>		
Abacus Grant Street Trust	-	100
Abacus Todd Road Trust	100	100
Castlereagh Sub 1 Trust	100	100
Castlereagh FH Sub 1 Trust	100	100

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 17. RELATED PARTY DISCLOSURES (continued)

#### (a) Subsidiaries (continued)

Entity	Equity interest	
	2023 %	2022 %
<i>Abacus Storage Operations Limited and its subsidiaries:</i>		
Abacus Storage NZ Operations Pty Limited	100	100
Abacus Storage Solutions Pty Limited	100	100
Abacus Storage Solutions NZ Pty Limited	100	100
Abacus USI C Trust	100	100
Abacus U Stow It A1 Trust	100	100
Abacus U Stow It B1 Trust	100	100
Abacus U Stow It A2 Trust	100	100
Abacus U Stow It B2 Trust	100	100
U Stow It Holdings Limited	100	100
U Stow It Pty Limited	100	100
Abacus SK Pty Limited	100	100
Storage King Corporate Holdings Pty Limited	100	100
Storage King Services Pty Limited	100	100
SK Licensing Pty Limited	100	100
SK (Licensees) Pty Limited	100	100
Storage King Management Pty Limited	100	100
Storage King Store Management Pty Limited	100	100
Storage King Management NZ Limited	100	100
Storage King (Singapore) Pte Limited	100	100
Storage King International Limited	100	100
Storage King Pty Limited	100	100
Storage King NZ Limited	100	100
A.A1 Storage King Pty Limited	100	100
<i>Abacus Storage Property Trust and its subsidiary:</i>		
Abacus Storage NZ Property Trust	100	100

#### (b) Ultimate parent

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

#### (c) Key management personnel

Details of payments are disclosed in Note 18.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 17. RELATED PARTY DISCLOSURES (continued)

#### (d) Transaction with related parties

	2023 \$'000	2022 \$'000
<b>Transactions with related parties other than associates and joint ventures</b>		
<b>Revenues</b>		
Property management fees received / receivable	337	268
<b>Transactions with associates and joint ventures</b>		
<b>Revenues</b>		
Management fees received / receivable from joint ventures	861	1,195
Share of (loss)/profit from joint ventures	(8,926)	13,429
<b>Other transactions</b>		
Loan advanced from joint ventures	1,568	1,496

#### *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 parties is disclosed in Note 10.

#### *Ultimate controlling entity*

Calculator Australia Pty Ltd ("Kirsh") is the ultimate controlling securityholder in the Group with a holding of approximately 51.8% of the ordinary securities of the Group (2022: 54%).

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

Property	Relationship with Kirsh	Charge per annum	2023	2022
			\$	\$
14 Martin Place	Tenants-in-common	3% of gross rental	278,984	277,531
4 Martin Place	100% owned by Kirsh	3% of gross rental	336,932	268,093

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 18. KEY MANAGEMENT PERSONNEL

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

	2023	2022
	\$	\$
Short-term employee benefits	4,702,314	4,729,052
Post-employment benefits	145,004	138,138
Other long-term benefits	76,189	41,193
Security-based payments	1,768,382	1,482,655
	<b>6,691,889</b>	<b>6,391,038</b>

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

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

#### (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.

### 19. SECURITY BASED PAYMENTS

#### (a) Recognised security payment expenses

	2023	2022
	\$'000	\$'000
Expense arising from equity-settled payment transactions	2,615	2,388

#### Type of security – based payment plan

##### Long Term Incentives (LTI)

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

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

The LTIs granted during the year vest as follows:

##### Executive KMP

Grant	Tranche	Vesting date	Potential number to vest
FY23 Grant	Tranche One – 50% of Grant	August 2025	354,200
	Tranche Two – 50% of Grant	August 2026	351,499

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 19. SECURITY BASED PAYMENTS (continued)

#### (a) Recognised security payment expenses (continued)

##### Other Executives

Grant	Tranche	Vesting date	Potential number to vest
FY23 Grant	Tranche One – 33% of Grant	August 2024	207,508
	Tranche Two – 33% of Grant	August 2025	207,508
	Tranche Three – 33% of Grant	August 2026	207,529

##### Deferred Short Term Incentives (Deferred STI)

In FY22, Abacus introduced a Deferred STI plan for Executive KMP. 25% of an Executive KMP's short term incentive is deferred by 12 months and settled in the form of rights. The deferred STI was introduced to aid retention, better align Executive KMP with securityholders' interests, and provide for a "consequence management" governance mechanism for misconduct, fraud, malfeasance, or financial misstatement.

##### Security Acquisition Rights (SARs)

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

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

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

##### Long Term Incentives (LTI)

The following table illustrates movements in LTI during this year:

	2023 No.	2022 No.
Opening balance	920,539	-
Granted during the year	1,422,698	920,539
Forfeited during the year	(77,861)	-
Vested during the year	-	-
<b>Outstanding at the end of the year</b>	<b>2,265,376</b>	<b>920,539</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

The weighted average fair value of LTI granted during the year was \$2.61 (2022: \$3.39).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 19. SECURITY BASED PAYMENTS (continued)

#### (b) Summary of Performance Rights granted (continued)

##### *Deferred Short Term Incentives (Deferred STI)*

The following table illustrates movements in Deferred STI during this year:

	2023 No.	2022 No.
Opening balance	-	-
Granted during the year	217,046	-
Forfeited during the year	-	-
Vested during the year	-	-
<b>Outstanding at the end of the year</b>	<b>217,046</b>	<b>-</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

The weighted average fair value of Deferred STI granted during the year was \$2.61 (2022: \$3.39).

##### *Security Acquisition Rights (SARs)*

The following table illustrates movements in SARs during this year:

	2023 No.	2022 No.
Opening balance	1,508,159	2,025,528
Granted during the year*	256,444	-
Forfeited during the year	(16,185)	-
Vested during the year	(812,357)	(517,369)
<b>Outstanding at the end of the year</b>	<b>936,061</b>	<b>1,508,159</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

\* To achieve a closer alignment of interests of securityholders and senior executives, when a tranche of SARs vests, the holder will be paid in respect of each SAR vesting an amount (a notional distribution) equivalent to the aggregate of the distributions per Abacus security paid during the period.

The weighted average remaining life of the performance rights (both LTIs and SARs) at 30 June 2023 was 1.7 years (2022: 1.5 years).

The following table lists the inputs to the model used for the performance rights' plans for the years ended 30 June 2023 and 30 June 2022:

	2023	2022
Expected volatility (%)	22-27	32
Risk-free interest rate (%)	3.25 - 3.40	0.04 - 0.19
Life of instrument (years)	0.6 - 3.7	1.8 - 3.8
Model used	Trinomial	Trinomial

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 20. INTANGIBLE ASSETS AND GOODWILL

#### Description of the Group's intangible assets

##### *Abacus Funds Management Limited*

	Notes	2023 \$'000	2022 \$'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>
<b>Software</b>			
At 1 July, net of accumulated amortisation		280	357
Additions		-	122
Amortisation charge for the year		(211)	(199)
<b>At the end of the year, net of accumulated amortisation</b>		<b>69</b>	<b>280</b>
<b>Total goodwill and intangibles</b>		<b>32,463</b>	<b>32,674</b>

#### Intangible assets and goodwill attributable to discontinued operations:

##### *Storage King Corporate Holdings Limited*

	Notes	2023 \$'000	2022 \$'000
<b>Goodwill</b>			
Balance at 1 July		33,132	33,132
<b>At the end of the year</b>		<b>33,132</b>	<b>33,132</b>
<b>Brand and trademarks with indefinite lives</b>			
Balance at 1 July		31,629	31,629
<b>At the end of the year</b>		<b>31,629</b>	<b>31,629</b>
<b>Licences and management rights</b>			
Balance at 1 July		7,376	7,906
Additions		-	1
Amortisation charge for the year		(532)	(531)
<b>At the end of the year, net of accumulated amortisation</b>		<b>6,844</b>	<b>7,376</b>
<b>Software</b>			
At 1 July, net of accumulated amortisation		815	894
Additions		194	43
Amortisation charge for the year		(113)	(122)
<b>At the end of the year, net of accumulated amortisation</b>		<b>896</b>	<b>815</b>
<b>Total goodwill and intangibles</b>		<b>72,501</b>	<b>72,952</b>

Intangible assets of \$72.5 million for Storage King Corporate Holdings Limited has been transferred to discontinued operations (refer to Note 21).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 20. INTANGIBLE ASSETS AND GOODWILL (continued)

#### 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 of disposal calculation using cash flow projections as at 30 June 2023 covering a five year period.

*(ii) Key assumptions used in valuation calculations*

Goodwill and intangible assets – the calculation is most sensitive to the following assumptions:

- a. Management and other fee income: based on market rates and revenue / funds under management within the financial year and the underlying growth rate of 2%.
- b. Licence & management and other fee income: based on actual income and revenue within the financial year and the underlying growth rate of 8%.
- c. 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
- d. Property values of the funds / properties under management for Abacus Funds Management Limited: based on the fair value of properties
- e. Selling costs: management's estimate of costs to sell the funds / properties under management
- f. For Abacus Funds Management Limited, a pre-tax discount rate of 8.6% (2022: 7.5%) and a terminal growth rate of 2.6% (2022: 2.0%) have been applied to the cash flow projections for goodwill to reflect the current risk-free rate.
- g. For Storage King Corporate Holdings Pty Limited, a pre-tax discount rate of 8.6% (2022: 7.5%) and a terminal growth rate of 2.6% (2022: 2.0%) have been applied to the cash flow projections 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 2023 has significant head room thus no reasonable changes in the assumptions would cause or give rise to an impairment.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 21. DISCONTINUED OPERATIONS

On 16 February 2023, the Group announced its intention to create a new ASX listed Self Storage REIT to be known as Abacus Storage King REIT (ASK). ASK was established by de-stapling Abacus' existing Self Storage assets and will be an externally managed REIT with a majority independent Board of Directors. Abacus will be the manager of ASK and retain a minority interest of up to 19.9% of the stapled securities in ASK.

The de-stapling of ASK completed on 4 August 2023. At 30 June 2023, the Self Storage business has been presented as a discontinued operations in the financial report. Associated assets and liabilities were classified as current assets and current liabilities in the financial report for the year ended 30 June 2023.

The eliminations on the transactions between discontinued operations and continuing operations have been included in the financial performance and balance sheet.

The financial performance of the discontinued operations segment for the year ended 30 June 2023 was as follows:

	2023 \$'000	2022 \$'000
Storage Income	190,454	160,538
Fee Income	16,824	15,228
Finance income	450	5
<b>Total Revenue</b>	<b>207,728</b>	<b>175,771</b>
<b>OTHER INCOME</b>		
Net change in fair value of investment properties held at balance date	150,304	305,242
Net change in fair value of investment held at balance date	16,485	17,286
Net change in fair value of PPE, investments and financial instruments derecognised	12,254	5,033
Net change in fair value of derivatives	13,559	-
Other income	11,426	10,961
<b>Total Revenue and Other Income</b>	<b>411,756</b>	<b>514,293</b>
Net change in fair value of investment properties derecognised	(60)	(43)
Storage expenses	(42,758)	(36,276)
Share of (loss)/profit from equity accounted investments	(314)	-
Depreciation and amortisation expenses	(3,434)	(2,932)
Finance costs	(43,802)	(19,343)
Administrative and other expenses	(47,608)	(37,301)
<b>PROFIT BEFORE TAX FROM DISCONTINUED OPERATIONS</b>	<b>273,780</b>	<b>418,398</b>
Income tax expense	(10,020)	(20,472)
<b>NET PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS</b>	<b>263,760</b>	<b>397,926</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 21. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities that are held for distribution as at 30 June 2023 and represent those that will form ASK are as follows:

	2023
	\$'000
<b>Assets</b>	
Intangible assets and goodwill	72,501
Investment Property	2,612,159
Property, Plant and equipment	25,982
Trade and receivables	21,047
Equity accounted Investments	16,047
Derivative financial instruments	31,612
Other financial assets	224,146
Other	5,334
Cash and cash equivalents	63,588
<b>Total assets</b>	<b>3,072,416</b>
<b>Liabilities</b>	
Trade and other payables	106,908
Provisions	4,239
Derivative financial instruments	770
Deferred tax liabilities	47,485
Other liabilities	3,947
Interest-bearing liabilities	979,052
<b>Total liabilities</b>	<b>1,142,401</b>
<b>Net assets</b>	<b>1,930,015</b>

The net cash flow for the discontinued operations for the year ended 30 June 2023 were as follows:

	2023	2022
	\$'000	\$'000
Operating	65,273	84,084
Investing	(212,204)	(565,933)
Financing	94,519	561,169
<b>Net cash (outflow) / inflow</b>	<b>(52,412)</b>	<b>79,320</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

### 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

#### (b) Statement of Compliance

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations effective as of 1 July 2022.

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

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (effective for annual reporting periods from 1 January 2022)

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

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

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

At the same time, the Board decided to clarify existing guidance in AASB 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments apply prospectively and they had no impact on consolidated financial statements of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

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

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

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

The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments had no impact on the consolidated financial statements of the 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 had no impact on the consolidated financial statements of the Group.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2023. The significant new standards or amendments are outlined below:

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

The amending standard made amendments to the following standards:

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

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

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

*Definition of Accounting Estimates – Amendments to AASB 108*

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require amendments.

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (d) Basis of consolidation

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

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

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

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

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

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

#### (e) Foreign currency translation

##### *Functional and presentation currency*

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

##### *Transactions and balances*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (f) Revenue recognition

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

##### *Rental income*

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

##### *Finance income*

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

##### *Management and other fee income*

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

##### *Dividends and distributions*

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

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

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

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

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

##### *Sale of inventory*

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

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

#### (g) Expenses

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (h) Cash and cash equivalents

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

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

#### (i) Trade and other receivables

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

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

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

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

#### (j) Derivative financial instruments and hedging

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (k) Investments and other financial assets (continued)

##### *Financial assets at fair value through profit or loss*

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

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

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

##### *Loans and receivables*

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

##### *Subsidiaries*

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

#### (l) Interest in joint arrangements and associates

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 – up to 5 years

##### *Impairment*

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

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

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

Impairment losses are recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (m) Property, plant and equipment (continued)

##### *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 2023

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

#### (n) Investment properties (continued)

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

#### (o) Leases

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

##### *Group as lessee*

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

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

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

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

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

##### *Group as a lessor*

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

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

#### (p) Goodwill and intangibles

##### **Goodwill**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

#### *Intangibles assets*

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

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

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

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

#### *Brand and trademarks*

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

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

##### *Software*

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

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

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

#### (r) Trade and other payables

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

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

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

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

##### *Employee leave benefits*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (s) Provisions and employee leave benefits (continued)

##### ii) Long service leave

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

#### (t) Distributions and dividends

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

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

#### (u) Interest-bearing loans and borrowings

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

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

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

##### *Borrowing Costs*

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

#### (v) Contributed equity

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

#### (w) Inventories

##### *Property Development*

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

#### (x) Taxation

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

##### *Trust income tax*

Under current Australian income tax legislation AT, AIT and ASPT are not liable to Australian income tax provided securityholders are presently entitled to the taxable income of the trusts and the trusts generally distribute their taxable income.

##### *Company income tax*

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

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

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- 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 2023

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

#### (x) 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% (2022: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to securityholders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2022: 28%).

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

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

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

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

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

#### (z) Security based payment plans

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model and is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 19).

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.

#### (aa) Non-current assets held for sale or distribution 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 or deemed disposal rather than through continuing use. Upon classification as held for sale, assets of a disposal group are recognised at the lower of carrying amount and fair value less costs to sell with the exception of investment properties, other financial assets and derivatives which are valued in accordance with Note 22(n) and Note 22(j) respectively.

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 operations 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. Additional disclosures are provided in Note 21. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

**NOTES TO THE FINANCIAL STATEMENTS**
**30 JUNE 2023**
**23. AUDITOR'S REMUNERATION**

	2023	2022
	\$	\$
Amounts received or due and receivable by Ernst & Young Australia:		
- Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	1,125,000	1,075,000
- Services required by legislation to be provided by the auditor		
- compliance services	38,915	53,400
- 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	29,430	159,926
- Other services		
- due diligence services	730,000	-
- Internal audit quality assurance services	37,800	-
<b>Total</b>	<b>1,961,145</b>	<b>1,288,326</b>

**24. EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the financial year end:

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

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the 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

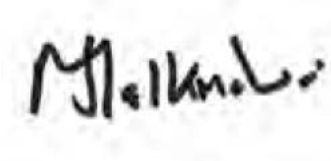
In accordance with a resolution of the Directors of Abacus Group Holdings Limited, we state that:

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 2023 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 22(b); and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board.



Myra Salkinder  
Chair  
Sydney, 18 August 2023



Steven Sewell  
Managing Director



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
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# Independent auditor's report to the members of Abacus Group Holdings Limited

## Report on the audit of the financial report

### Opinion

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

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

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

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

### Key audit matters

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

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

## Investment Properties

### Why significant

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

As disclosed in Note 5, the valuation of investment properties is inherently subjective given there are alternative assumptions and valuation methods that may result in a range of values. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a significant change to the valuation of investment properties.

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

We have considered this a key audit matter due to the number of judgments required in determining fair value. For the same reasons we consider it important that attention is drawn to the information in Note 5 in assessing the property valuations at 30 June 2023.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We discussed the following matters with management:
  - movements in the Group's investment property portfolio;
  - changes in the condition of each property including tenancy matters and development status;
- On a sample basis, we performed the following procedures for selected properties:
  - Evaluated the key valuation assumptions and agreed passing rental income to tenancy schedules. These assumptions and inputs included the adopted capitalisation rate and a number of leasing assumptions including market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure. We assessed the accuracy of tenancy reports which are used as source data in the property valuations by testing a sample of leases to the tenancy reports.
  - Tested the mathematical accuracy of valuations.
  - Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies.
  - Where relevant we compared the valuation against comparable transactions utilised in the valuation process.
  - Evaluated the suitability of the valuation methodology based on the type of asset.
  - Assessed the qualifications, competence and objectivity of the valuers.

## Discontinued Operations

### Why significant

On 7 June 2023 the Group announced a proposed de-stapling of the Group into two separate entities. Completion of the de-stapling occurred after the reporting date, on 1 August 2023.

Due to the de-stapling the storage business segment of the Group meets the definition of a disposal group under Australian Accounting Standards and accordingly has been classified as Held for Sale and as a Discontinued Operation at 30 June 2023.

We considered this a key audit matter due to the number of judgments required in determining the valuation of assets associated with the disposal group, the significance of the transaction to the Group and the nature of the disclosures required.

For the same reasons we consider it important that attention is drawn to the disclosure in Note 21 which describes the contribution of the discontinued operations to the financial performance and financial position of the Group as at 30 June 2023.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We reviewed the Group's assessment that the storage business segment should be presented as Held for Sale as at 30 June 2023 in accordance with the requirements of Australian Accounting Standards.
- We assessed the adequacy of the Group's Discontinued Operations disclosures in the financial report outlined in Note 21.
- We assessed whether the transaction costs that were appropriately included in the Consolidated Income Statement for the year ended 2023.
- The procedures performed with respect to Investment Property held within the disposal group were consistent with the procedures outlined in the Investment Properties Key Audit Matter section.

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

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

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

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

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

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

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- ▶ 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 18 to 47 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Abacus Group Holdings Limited for the year ended 30 June 2023, 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.

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

Ernst & Young

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

Anthony Ewan  
Partner  
Sydney  
18 August 2023

## ADDITIONAL INFORMATION

Number of holders of ordinary full paid securities	9,797
Number of holders holding less than a marketable parcel or ordinary fully paid stapled securities	1,319
Voting rights attached to ordinary fully paid stapled securities.	One vote per security

### Top 20 largest security holdings as at 7 August 2023

HOLDER NAME	NUMBER OF SECURITIES	% ISSUED SECURITIES
CALCULATOR AUSTRALIA PTY LIMITED	411,705,733	46.07%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	121,040,594	13.54%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	88,352,171	9.89%
CITICORP NOMINEES PTY LIMITED	54,865,570	6.14%
CALCULATOR AUSTRALIA PTY LIMITED	51,192,965	5.73%
NATIONAL NOMINEES LIMITED	24,694,507	2.76%
ARYM INVESTMENT HOLDINGS PTY LTD	14,600,000	1.63%
BNP PARIBAS NOMS PTY LTD	11,554,146	1.29%
CITICORP NOMINEES PTY LIMITED	5,213,956	0.58%
BNP PARIBAS NOMINEES PTY LTD	3,788,323	0.42%
BNP PARIBAS NOMINEES PTY LTD	2,448,761	0.27%
UBS NOMINEES PTY LTD	2,422,512	0.27%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,229,790	0.25%
CHARTER HALL WHOLESALE MANAGEMENT LIMITED	1,657,026	0.19%
CHARTER HALL WHOLESALE MANAGEMENT LTD	1,650,000	0.18%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,564,869	0.18%
WARBONT NOMINEES PTY LTD	1,434,039	0.16%
NULIS NOMINEES (AUSTRALIA) LIMITED	1,280,244	0.14%
BNP PARIBAS NOMS (NZ) LTD	1,156,402	0.13%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,028,531	0.12%
<b>Total Securities of Top 20 Holdings</b>	<b>803,880,139</b>	<b>89.95%</b>
<b>Total of Securities</b>	<b>893,657,633</b>	

## Spread of securities as at 7 August 2023

RANGE	HOLDERS	NUMBER OF SECURITIES	% ISSUED SECURITIES
1-1,000	2,293	929,510	0.10%
1,001-5,000	3,534	9,758,553	1.09%
5,001-10,000	1,863	13,569,642	1.52%
10,001-100,000	2,020	47,292,984	5.29%
100,001-9,999,999,999	95	822,106,944	91.99%
Totals	9,805	893,657,633	100%

## Substantial security holder notices

SECURITYHOLDER	NUMBER OF SECURITIES
Calculator Australia Pty Limited	462,898,698