



**NATIONAL STORAGE REIT (NSR)
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

**National Storage Holdings Limited ACN 166 572 845
National Storage Financial Services Limited ACN 600 787 246 AFSL 475 228
as responsible entity for
National Storage Property Trust ARSN 101 227 712**

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CORPORATE INFORMATION

National Storage Holdings Limited ACN 166 572 845 ("**NSH**" or the "**Company**") and National Storage Property Trust ARSN 101 227 712 ("**NSPT**") form the stapled entity National Storage REIT ("**NSR**" or the "**Group**")

Responsible Entity of NSPT

National Storage Financial Services Limited ("**the Responsible Entity**"), a wholly owned subsidiary of National Storage Holdings Limited
ACN 600 787 246
AFSL 475 228
Level 16, 1 Eagle Street
Brisbane QLD 4000

Directors – NSH

Laurence Brindle (Chairman)
Andrew Catsoulis
Anthony Keane
Howard Brenchley
Steven Leigh
Claire Fidler

Directors – the Responsible Entity

Laurence Brindle
Andrew Catsoulis
Anthony Keane
Howard Brenchley
Steven Leigh
Claire Fidler

Company Secretary – NSH

Claire Fidler

Company Secretary – the Responsible Entity

Claire Fidler

Registered office

Level 16, 1 Eagle Street
Brisbane QLD 4000

Principal place of business

Level 16, 1 Eagle Street
Brisbane QLD 4000

Share registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Stapled securities are quoted on the Australian Securities Exchange ("**ASX**") – trading code **ASX:NSR**.

Auditor

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

DIRECTORS' REPORT

The Directors of NSH jointly with the Directors of National Storage Financial Services Limited as Responsible Entity of NSPT present their report together with the financial statements of NSR which incorporates NSH and its controlled entities ("NSH Group") and NSPT and its controlled entities ("NSPT Group") for the half-year ended 31 December 2021 ("Reporting Period").

DIRECTORS

National Storage Holdings Limited

The NSH Directors in office during the Reporting Period and continuing as at the date of this Directors' Report are set out below.

Laurence Brindle	Independent Non-Executive Chairman
Andrew Catsoulis	Managing Director
Claire Fidler	Executive Director
Anthony Keane	Independent Non-Executive Director
Howard Brenchley	Independent Non-Executive Director
Steven Leigh	Independent Non-Executive Director

National Storage Financial Services Limited, "the Responsible Entity"

The Directors of the Responsible Entity in office during the Reporting Period and continuing as at the date of this Directors' Report are set out below.

Laurence Brindle	Director
Andrew Catsoulis	Director
Anthony Keane	Director
Howard Brenchley	Director
Steven Leigh	Director
Claire Fidler	Director

REVIEW AND RESULTS OF OPERATIONS

The Financial Statements are prepared in compliance with Australian Accounting Standards. Users of the financial information should familiarise themselves with the "Corporate Information" and "Basis of Preparation" in Notes 1 and 2 in the Financial Statements.

Operating results

For the half-year ended 31 December 2021, total revenue increased by 32% to \$131.6m (31 December 2020: \$99.6m) driven by strong self-storage revenue growth achieved with increases in centre occupancy and rate per square metre.

Underlying earnings¹ increased 48% to \$58.2m (31 December 2020: \$39.2m) through improved centre operating performance and contribution from new acquisitions and developments.

	H1 FY22	H1 FY21
IFRS profit after tax	\$274.1m	\$101.4m
Plus/ (less) tax expense	\$0.8m	(\$0.2m)
Plus restructuring and other non-recurring costs	\$3.5m	\$0.2m
Plus non-cash interest rate swap amortisation	\$4.4m	\$5.7m
Less fair value adjustment	(\$221.2m)	(\$66.0m)
Less investment property lease diminution	(\$3.4m)	(\$1.9m)
Underlying Earnings⁽¹⁾	\$58.2m	\$39.2m

Profit after tax increased by \$172.7m to \$274.1m (31 December 2020: \$101.4m) due to a higher valuation (fair value adjustment) uplift for the half-year when compared to the corresponding period and improved operating performance. Fair value adjustments to investment properties increased investment property values by \$221.2m (31 December 2020: \$66.0m).

¹ Underlying earnings is a non-IFRS measure (unaudited)

DIRECTORS' REPORT

Capital management

Cash and cash equivalents as at 31 December 2021 were \$57.4m (30 June 2021: \$95.9m) with net operating cashflow for the half-year increasing by \$13.5m to \$65.5m (31 December 2020: \$52m).

An interim distribution of 4.6 cents per security (\$54.7m) was announced on 14 December 2021 with a payment date of 1 March 2022 (31 December 2020: interim distribution of \$40.7m - 4.0 cents per security).

NSR continues to operate a Distribution Reinvestment Plan ("DRP") which enables eligible security holders to receive part or all of their distribution by way of securities rather than cash. For the final distribution for the year ended 30 June 2021, 23% of eligible securityholders (by number of stapled securities) elected to receive their distributions as securities. This raised equity of \$11.5m from the issue of 5,221,403 stapled securities during the period.

For the 31 December 2021 interim distribution, 29.5% of eligible security holders (by number of securities) elected to receive their distributions by way of securities. The DRP price has been set at \$2.4107 based upon the volume weighted average market price of NSR stapled securities over a period of 10 trading days, from the 8 February 2022, less a 2% discount.

On 24 December 2021, the Group completed a refinancing of its debt facilities. This resulted in the transition from a secured "Club" arrangement to an unsecured lending platform under a new Common Terms Deed. On conclusion of this process the Group repaid existing facilities and entered into a combination of revolver facilities and bridging loans with a selection of major Australian banks. Two of these bridging loans totalling \$200m NZD (\$188.3m AUD) have been classified as current liabilities in the financial statements as the expiry date of the arrangements is within one year of the reporting date.

NSR has undrawn facilities of \$267m with tenor of over one year which is in excess of the two bridging loans of \$200m NZD (\$188.3m AUD). The Group is currently at an advanced stage of the refinance of these short-term arrangements and expects to conclude this process in advance of the financial year end. This will continue to diversify NSR's sources of funding and provide capacity for ongoing acquisitions, development and expansion activities.

In addition, the Group continues to hold an institutional term loan with a major Australian superannuation fund, and an undrawn financing facility with JP Morgan.

The Group's borrowing capacity at 31 December 2021 is AUD \$875m and NZD \$325m (AUD \$306m) of which AUD \$317m and NZD \$53.2m (AUD \$50.1m) is undrawn at 31 December 2021.

Investments

During the reporting period the investment property portfolio expanded following the acquisition of 5 storage centre assets, 5 development sites and freehold property of an existing leasehold centre across Australia and New Zealand, valued at \$59.5m and adding 18,600m² of net lettable area to NSR's portfolio.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

For the period from 1 January 2022 to the date of this report the Group purchased one storage centre for \$3.5m. Four additional storage centres are under contract for \$60m and are due to settle in March 2022.

No other events have occurred between the reporting date and the issue date of the half year report which require disclosure in the financial statements.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the class order applies.

DIRECTORS' REPORT

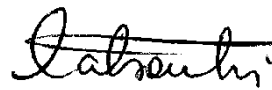
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

This report is made on 24 February 2022 in accordance with a resolution of the Board of Directors of National Storage Holdings Limited and is signed for and on behalf of the Directors.



Laurence Brindle
Chairman
National Storage Holdings Limited
Brisbane



Andrew Catsoulis
Managing Director
National Storage Holdings Limited
Brisbane

Auditor's independence declaration to the directors of National Storage REIT

As lead auditor for the review of the half-year financial report of National Storage REIT for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of National Storage REIT and the entities controlled during the financial period.



Ernst & Young



Wade Hansen
Partner
24 February 2022

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2021

		2021 \$'000	2020 \$'000
	Notes		
Revenue from rental income		122,070	91,811
Revenue from contracts with customers		9,266	7,316
Interest income		309	482
Total revenue		131,645	99,609
Employee expenses		(24,940)	(19,130)
Premises costs		(15,904)	(12,236)
Advertising and marketing costs		(2,634)	(2,667)
Insurance costs		(3,326)	(2,669)
Other operational expenses		(11,480)	(8,871)
Finance costs		(16,904)	(18,603)
Share of profit / (loss) of joint ventures and associates	6	953	(105)
Gain from fair value adjustments		221,208	66,031
Restructuring and other non-recurring costs		(3,690)	(218)
Profit before income tax		274,928	101,141
Income tax (expense) / benefit	4	(812)	237
Profit after tax		274,116	101,378
Profit for the period attributable to:			
Members of National Storage Holdings Limited		7,902	977
Non-controlling interest (unit holders of NSPT)		266,214	100,401
		274,116	101,378
Basic earnings per stapled security (cents)	17	23.09	9.93
Diluted earnings per stapled security (cents)	17	23.07	9.93

The above Interim Statement of Profit of Loss should be read in conjunction with the accompanying notes and 30 June 2021 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	2021 \$'000	2020 \$'000
Profit after tax	274,116	101,378
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	1,086	1
Net gain on cash flow hedges	9,479	4,619
Total other comprehensive gain, net of tax	10,565	4,620
Total comprehensive income	284,681	105,998
Comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	7,901	982
Non-controlling interest (unit holders of NSPT)	276,780	105,016
	284,681	105,998

The above Interim Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes and 30 June 2021 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		as at 31 Dec 2021	as at 30 Jun 2021
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		57,387	95,910
Trade and other receivables		16,103	15,056
Inventories		1,951	1,318
Income tax receivable		-	29
Other current assets	9	10,796	4,909
Total current assets		86,237	117,222
Non-current assets			
Trade and other receivables		1,910	1,893
Property, plant and equipment		1,549	1,408
Right of use assets	7	5,722	5,782
Investment properties	5	3,375,698	3,055,800
Investment in joint ventures and associates	6	8,834	7,881
Intangible assets	10	47,554	47,197
Deferred tax assets		11,415	8,444
Other non-current assets	9	11,369	6,246
Total non-current assets		3,464,051	3,134,651
Total Assets		3,550,288	3,251,873
LIABILITIES			
Current liabilities			
Trade and other payables		18,201	21,468
Borrowings	11	188,293	-
Lease liabilities	7	9,636	9,037
Deferred revenue		15,132	16,185
Income tax payable		3,472	237
Provisions		3,844	3,457
Distribution payable	15	54,685	49,689
Other liabilities	12	-	22
Total current liabilities		293,263	100,095
Non-current liabilities			
Trade and other payables		255	-
Borrowings	11	623,209	758,050
Lease liabilities	7	97,325	101,663
Provisions		3,335	3,213
Deferred tax liabilities		4,592	4,107
Other liabilities	12	-	103
Total non-current liabilities		728,716	867,136
Total Liabilities		1,021,979	967,231
Net Assets		2,528,309	2,284,642
EQUITY			
Non-controlling interest (unit holders of NSPT)		2,342,912	2,109,561
Contributed equity	13	162,301	161,320
Other reserves		1,436	3
Retained earnings		21,660	13,758
Total Equity		2,528,309	2,284,642

The above Interim Statement of Financial Position should be read in conjunction with the accompanying notes and 30 June 2021 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF CHANGES OF EQUITY

For the six months ended 31 December 2021

Attributable to securityholders of National Storage REIT

	Notes	Contributed equity \$'000	Retained earnings \$'000	Other reserves \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 1 July 2021		161,320	13,758	3	2,109,561	2,284,642
Profit for the period		-	7,902	-	266,214	274,116
Other comprehensive income		-	-	(1)	10,566	10,565
Total comprehensive income for the period		-	7,902	(1)	276,780	284,681
Issue of stapled securities	13	995	-	-	11,494	12,489
Costs associated with issue of stapled securities		(21)	-	-	(238)	(259)
Deferred tax on cost of stapled securities		7	-	-	-	7
Share-based payments	18	-	-	1,434	-	1,434
Distributions	15	-	-	-	(54,685)	(54,685)
		981	-	1,434	(43,429)	(41,014)
Balance at 31 December 2021		162,301	21,660	1,436	2,342,912	2,528,309
Balance at 1 July 2020		133,169	10,030	10	1,578,615	1,721,824
Profit for the period		-	977	-	100,401	101,378
Other comprehensive income		-	-	5	4,615	4,620
Total comprehensive income for the period		-	977	5	105,016	105,998
Issue of stapled securities	13	619	-	-	6,472	7,091
Costs associated with issue of stapled securities		(19)	-	-	(183)	(202)
Deferred tax on cost of stapled securities		5	-	-	-	5
Distributions	15	-	-	-	(40,708)	(40,708)
		605	-	-	(34,419)	(33,814)
Balance at 31 December 2020		133,774	11,007	15	1,649,212	1,794,008

The above Interim Statement of Changes of Equity should be read in conjunction with the accompanying notes and 30 June 2021 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF CASHFLOWS

For the six months ended 31 December 2021

	2021 \$'000	2020 \$'000
Operating activities		
Receipts from customers	143,302	105,900
Payments to suppliers and employees	(77,790)	(53,506)
Interest received	40	244
Income tax paid	(63)	(612)
Net cash flows from operating activities	65,489	52,026
Investing activities		
Purchase of investment properties	(65,763)	(277,798)
Improvements to investment properties	(2,556)	(3,090)
Development of investment properties under construction	(26,680)	(24,662)
Purchase of property, plant and equipment	(402)	(225)
Purchase of intangible assets	(820)	(320)
Net cash flows used in investing activities	(96,221)	(306,095)
Financing activities		
Transaction costs on issue of stapled securities	(570)	(202)
Distributions paid to stapled security holders	(38,241)	(27,376)
Repayment of borrowings	(794,429)	-
Proceeds from borrowings	844,535	260,872
Payment of principal and interest on lease liabilities	(7,167)	(6,787)
Interest and other finance costs paid	(11,889)	(9,777)
Borrowings to joint venture	-	(4,950)
Net cash flows (used in) / from financing activities	(7,761)	211,780
Net decrease in cash and cash equivalents	(38,493)	(42,289)
Net foreign exchange difference	(30)	2
Cash and cash equivalents at 1 July	95,910	90,352
Cash and cash equivalents at 31 December	57,387	48,065

The above Interim Statement of Cash Flows should be read in conjunction with the accompanying notes and 30 June 2021 Financial Statements of National Storage REIT.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

National Storage REIT ("the Group" or "NSR") is a joint quotation of National Storage Holdings Limited ("NSH" or "the Company") and its controlled entities ("NSH Group") and National Storage Property Trust ("NSPT" or "the Trust") and its controlled entities ("NSPT Group") on the Australian Securities Exchange ("ASX").

The Constitutions of NSH and NSPT ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Company and the Responsible Entity of the Trust must at all times act in the best interest of NSR. The stapling arrangement will continue until either the winding up of the Company or the Trust, or either entity terminates the stapling arrangements.

The financial report of NSR for the half-year ended 31 December 2021 was approved on 24 February 2022, in accordance with resolutions from the Board of Directors of National Storage Holdings Limited and the Board of Directors of National Storage Financial Services Limited as the Responsible Entity of National Storage Property Trust.

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

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

This Interim Financial Report for the half-year ended 31 December 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The Interim Financial Report of NSR as at and for the half-year ended 31 December 2021 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

The consolidated financial statements for the Group are prepared on the basis that NSH was the acquirer of the NSPT. The non-controlling interest attributable to stapled security holders is presented separately in the statement of comprehensive income and within equity in the statement of financial position, separately from parent shareholders' equity.

The Group elects to present only financial information relating to NSR within this financial report. A separate financial report for the NSPT Group has also been prepared for the half-year ended 31 December 2021, this is available at www.nationalstorageinvest.com.au.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2021 and considered together with any public announcements made by the Group in accordance with the continuous disclosure obligations of the ASX listing rules during the half-year ended 31 December 2021.

These financial statements have been prepared on the basis of historical cost, except for selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The financial statements are presented in Australian dollars ("AUD") and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Deficiency of net current assets

As at 31 December 2021, the Group had an excess of current liabilities over current assets of \$207m. \$188.3m of this deficit relates to borrowings with maturity dates of less than one year. NSR has undrawn facilities of \$267m with tenor of over one year which is in excess of the net current asset deficiency. The Group is currently at an advanced stage of the refinance of these short-term arrangements and expects to conclude this process in advance of the financial year end.

Accounting standard AASB 140 *Investment Property* requires the finance lease liability to be split between current and non-current while the corresponding asset is classed as non-current. This results in \$8.3m of lease liabilities being classified as current. The Directors believe the excess of the total investment property over the finance lease liability reflects a positive position in both the immediate

NOTES TO THE FINANCIAL STATEMENTS

and long-term and sufficient cash inflows from operations will occur to enable all liabilities to be paid when due.

Current liabilities also include deferred revenue of \$15.1m associated with prepaid storage rentals which are not expected to result in a significant cash outflow. The Group generated strong operating cash flows of \$65.5m for the half year ended 31 December 2021.

The financial report has been prepared on a going concern basis as the Directors believe the Group will continue to generate operating cash flows to meet all liability obligations in the ordinary course of business.

Changes in accounting policy, accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current half-year.

The adoption of new and revised standards did not result in any material changes to the interim financial statements.

The accounting policies adopted in the preparation of the interim consolidated financial statements are otherwise consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021 except for following item disclosed below.

The Group has share-based payments for the first time for the half-year ended 31 December 2021 and has applied AASB 2 *Share-based payment* in relation to these transactions. The accounting policies related to the Group's treatment of share-based payments is provided in note 18.

3. Segment information

The Group operates wholly within one business segment being the operation and management of storage centres in Australia and New Zealand. The operating results presented in the statement of profit or loss represent the same segment information as reported in internal management information.

The Managing Director is the Group's chief operating decision maker and monitors the operating results on a portfolio wide basis. Monthly management reports are evaluated based upon the overall performance of NSR consistent with the presentation within the consolidated financial statements. The Group's financing (including finance costs and finance income) are managed on a Group basis and not allocated to operating segments.

The Group has no individual customer which represents greater than 10% of total revenue.

4. Income tax

The major components of income tax expense / (benefit) in the interim statement of profit or loss are:

For the six months ended 31 December

	2021 \$'000	2020 \$'000
Consolidated statement of profit or loss		
Current tax	3,757	(883)
Deferred tax	(2,822)	825
Adjustment in relation to prior periods	(123)	(179)
Income tax expense / (benefit)	812	(237)
Deferred tax relating to items recognised in other comprehensive income during the period		
Net gain / (loss) on revaluation of cash flow hedges	3	(5)
Deferred tax relating to items recognised in statement of changes in equity during the period		
Cost of issuing share capital	(7)	(5)

NOTES TO THE FINANCIAL STATEMENTS

NSPT is a 'flow through' entity for Australian income tax purposes and is an Attribution Managed Investment Trust, such that the determined tax components of NSPT will be taxable in the hands of unitholders on an attribution basis. NSPT's subsidiary National Storage New Zealand Property Trust ("NSNZPT") is an Australian registered trust which owns investment property in New Zealand. For New Zealand tax purposes NSNZPT is classed as a unit trust and is subject to New Zealand income tax at a rate of 28%.

5. Investment properties

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Investment properties		
Leasehold investment properties	124,530	137,498
Freehold investment properties	3,120,824	2,834,509
Investment properties under construction	130,344	83,793
Total investment properties	3,375,698	3,055,800
Leasehold properties		
Opening balance at 1 July	137,498	201,202
Improvements to investment properties	101	311
Reassessment of lease terms	158	(53,981)
Items reclassified from investment property under construction	-	1,529
Items reclassified to freehold investment property	(11,500)	-
Lease diminution, presented as fair value adjustments	(3,336)	(4,131)
Net gain / (loss) from other fair value adjustments	1,609	(7,432)
Closing balance at 31 December / 30 June	124,530	137,498
Freehold properties		
Opening balance at 1 July	2,834,509	2,180,299
Property acquisitions	46,181	338,048
Improvements to investment properties	2,372	5,966
Items reclassified from leasehold investment properties	11,500	-
Items reclassified from freehold investment properties under construction	-	67,894
Items reclassified from property, plant & equipment	83	-
Net gain from fair value adjustments	222,935	243,520
Effect of movement in foreign exchange	3,244	(1,218)
Closing balance at 31 December / 30 June	3,120,824	2,834,509
Investment properties under construction		
Opening balance at 1 July	83,793	70,584
Property acquisitions	19,229	36,184
Development costs	26,732	46,586
Items reclassified to freehold investment properties	-	(67,894)
Items reclassified to leasehold investment properties	-	(1,529)
Effect of movement in foreign exchange	590	(138)
Closing balance at 31 December / 30 June	130,344	83,793

NOTES TO THE FINANCIAL STATEMENTS

6. Interest in joint ventures and associates

Interest in joint ventures

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Opening balance at 1 July	5,653	6,130
Share of profit/(loss) from joint ventures*	966	(477)
Closing balance at 31 December / 30 June	6,619	5,653

*Included within share of profit from joint ventures is \$1,050,000 representing NSR's share of fair value gains related to investment properties held by joint ventures (31 Dec 2020: \$nil).

The Group held a 25% interest in the Bundall Storage Trust, Bundall Commercial Trust, Bundall Storage Operations Pty Ltd, the TBF & NS Trust, and Moorooka Storage Operations Pty Ltd at 31 December 2021.

The Bundall Commercial Trust derives rental property income from the leasing of commercial units and the Bundall Storage Trust develops investment property for the purpose of earning future rental income. As at 31 December 2021, the Bundall Storage Trust had one storage centre investment property. Bundall Storage Operations Pty Ltd, and Moorooka Storage Operations Pty Ltd operate self-storage businesses at centres owned by the Bundall Storage Trust and the TBF & NS Trust respectively.

These investments are classified as joint ventures as all parties are subject to a Securityholders Agreement that has been contractually structured such that the parties to the agreement have equal representation on the advisory board responsible for the overall direction and supervision of each trust.

Interest in associates

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Opening balance at 1 July	2,228	2,321
Share of loss from associates	(13)	(93)
Closing balance at 31 December / 30 June	2,215	2,228

The Group holds a 25.9% (30 June 2021: 25.9%) holding in Spacer Marketplaces Pty Ltd ("**Spacer**"). Spacer operate online peer-to-peer marketplaces for self-storage and parking. None of the Group's joint ventures or associates are listed on any public exchange. See note 14 for fees received and purchases from joint ventures and associates.

NOTES TO THE FINANCIAL STATEMENTS

7. Right of use assets and lease liabilities

Right of use assets

	Premises leases \$'000	Equipment leases \$'000	Other leases \$'000	Total \$'000
Opening balance at 1 July 2021	4,902	745	135	5,782
Additions	589	-	-	589
Depreciation charge	(454)	(191)	(4)	(649)
Closing balance at 31 December 2021	5,037	554	131	5,722

	Premises leases \$'000	Equipment leases \$'000	Advertising leases \$'000	Total \$'000
Opening balance at 1 July 2020	5,742	790	8	6,540
Additions	-	250	144	394
Depreciation charge	(840)	(301)	(13)	(1,154)
Reassessment of variable lease payments	-	6	(4)	2
Closing balance at 30 June 2021	4,902	745	135	5,782

Lease liabilities

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current lease liabilities		
Lease liabilities relating to right of use assets	1,248	1,142
Lease liabilities relating to right of use assets presented as leasehold investment property	8,388	7,895
Total current lease liabilities	9,636	9,037
Non-current lease liabilities		
Lease liabilities relating to right of use assets	4,881	4,958
Lease liabilities relating to right of use assets presented as leasehold investment property	92,444	96,705
Total non-current lease liabilities	97,325	101,663
Total lease liabilities	106,961	110,700

8. Non-financial assets fair value measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2021				
Leasehold investment properties	-	-	124,530	124,530
Freehold investment properties	-	-	3,120,824	3,120,824
	-	-	3,245,354	3,245,534
At 30 June 2021				
Leasehold investment properties	-	-	137,498	137,498
Freehold investment properties	-	-	2,834,509	2,834,509
	-	-	2,972,007	2,972,007

Recognised fair value measurements

The Group's policy is to recognise transfers in and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between categories for the period ended 31 December 2021 or the year ended 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

Fair value measurements using significant unobservable inputs (level 3)

Valuation techniques used to determine level 3 fair values and valuation process

Investment properties, principally storage centres, are held for rental to customers requiring self-storage facilities. They are carried at fair value. Changes in fair values are presented in profit or loss as fair value adjustments.

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years unless the underlying financing requires a more frequent valuation. For properties subject to an independent valuation report the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Director valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

The Group obtains the majority of its independent valuations at each 30 June financial year end. The Group's policy is to maintain the valuation of the investment property at external valuation for all properties valued in the preceding year, unless there is an indication of a significant change to the property's valuation inputs. Freehold investment properties acquired in the period ended 31 December 2021 have been held at acquisition price.

The financial impact of COVID-19 on the Group's business has been minimal to date and the Group considers that there continues to be a strong demand for storage rental as evidenced by the Group's strong and steady occupancy levels which underpin the operating results.

At 31 December 2021, the Group held 28% of freehold investment properties and 46% of leasehold investment properties at external valuation. (30 June 2021: 37% of freehold investment properties and 46% of leasehold investment properties).

Valuation inputs and relationship to fair value

Description	Significant unobservable inputs	Range at 31 Dec 2021	Range at 30 Jun 2021
Investment properties - leasehold	Primary capitalisation rate	5.8% to 30.0%	5.8% to 30.0%
	Secondary capitalisation rate	5.8% to 31.0%	5.8% to 30.0%
	Weighted average primary cap rate	11.5%	10.1%
	Weighted average secondary cap rate	12.1%	11.6%
	Sustainable occupancy	83% to 95%	83% to 94%
	Stabilised average EBITDA	\$332,030	\$302,775
Investment properties - freehold	Primary capitalisation rate	4.8% to 7.3%	5.0% to 7.0%
	Secondary capitalisation rate	5.3% to 8.5%	6.0% to 8.0%
	Weighted average primary cap rate	5.8%	5.9%
	Weighted average secondary cap rate	6.4%	6.4%
	Sustainable occupancy	75% to 96%	75% to 98%
	Stabilised average EBITDA	\$1,017,225	\$963,839

Under the income capitalisation method, a property's fair value is estimated based upon a combination of current earnings before interest, tax, depreciation and amortisation ("EBITDA") generated by the property, which is divided by the primary capitalisation rate (the investor's required rate of return) and additional EBITDA (stabilised EBITDA less current EBITDA) divided by the secondary capitalisation rate. Stabilised EBITDA reflects the estimated EBITDA generated once a property reaches a sustainable level of operations. The value attributed to the secondary capitalisation is then discounted to account for the estimated time required to deliver this additional value.

The capitalisation rates are derived from recent sales of similar properties. The secondary capitalisation rate is typically higher than the primary capitalisation rate to reflect the additional risk associated with

NOTES TO THE FINANCIAL STATEMENTS

these cashflows. Generally, an increase in stabilised average EBITDA will result in an increase in fair value of an investment property. An increase in the vacancy rate will result in a reduction of the stabilised average EBITDA. Investment properties are valued on a highest and best use basis.

The current use of all of the investment properties (self-storage) is considered to be the highest and best use. The capitalisation rate adopted reflects the inherent risk associated with the property. For example, if the lease expiry profile of a particular property is short, the capitalisation rate is likely to be higher to reflect additional risk to income. The higher capitalisation rate then reduces the valuation of the property.

The following tables present the sensitivity of investment property fair values to changes in input assumptions.

At 31 December 2021:

Unobservable inputs	Leasehold		Freehold	
	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(3,350) / 4,225	1% / (1%)	(399,854) / 569,136
Secondary capitalisation rate	2% / (2%)	(1,800) / 3,025	2% / (2%)	(71,219) / 135,344
Sustainable occupancy	5% / (5%)	8,275 / (1,250)	5% / (5%)	182,513 / (41,844)
Stabilised average EBITDA	5% / (5%)	1,900 / (1,825)	5% / (5%)	136,055 / (103,009)

At 30 June 2021:

Unobservable inputs	Leasehold		Freehold	
	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(3,150) / 4,110	1% / (1%)	(352,120) / 500,170
Secondary capitalisation rate	2% / (2%)	(1,900) / 3,220	2% / (2%)	(96,400) / 180,310
Sustainable occupancy	5% / (5%)	7,430 / (2,000)	5% / (5%)	169,010 / (73,120)
Stabilised average EBITDA	5% / (5%)	1,930 / (1,380)	5% / (5%)	130,030 / (77,740)

9. Other assets

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current		
Prepayments	10,771	4,898
Financial assets (derivatives)	25	11
	10,796	4,909
Non-current		
Deposits	4,015	3,849
Financial assets (derivatives)	7,354	2,397
	11,369	6,246
Total current and non-current	22,165	11,155

NOTES TO THE FINANCIAL STATEMENTS

10. Intangible assets

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Goodwill	43,954	43,954
Other intangibles	3,600	3,243
Total intangible assets	47,554	47,197

Impairment testing of goodwill

Goodwill is an asset acquired through business combinations. Management has determined that the listed group, which is considered one operating segment (see note 3), is the appropriate cash generating unit against which to allocate this asset owing to the synergies arising from combining a number of asset portfolios.

The recoverable amount of the listed group has been determined based on the fair value less costs of disposal method using the fair value quoted on an active market. As at 31 December 2021, NSR had 1,188,800,539 stapled securities quoted on the ASX at \$2.66 per security providing a market capitalisation of \$3,162m. This amount is in excess of the carrying amount of the Group's net assets. The Directors have not identified any indicators of impairment of goodwill as at the date of this report.

Other intangible assets relate to costs incurred on development projects which are expected to generate future economic benefits either via increased revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset.

11. Borrowings

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current borrowings		
Bank finance facilities	188,293	-
Total current borrowings	188,293	-
Non-current borrowings		
Bank finance facilities	625,550	761,343
Non-amortised borrowing costs	(2,341)	(3,293)
Total non-current borrowings	623,209	758,050
Total borrowings	811,502	758,050

The Group has borrowing facilities denominated in Australian Dollars ("AUD") and New Zealand Dollars ("NZD").

Drawn amounts and facility limits are as follows:

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Bank finance facilities (AUD)		
Drawn amount	558,000	548,000
Facility limit	875,000	930,000
Bank finance facilities (NZD)		
Drawn amount	271,750	229,150
Facility limit	325,000	251,750
AUD equivalent of NZD facilities shown above		
Drawn amount	255,844	213,343
Facility limit	305,977	234,384

NOTES TO THE FINANCIAL STATEMENTS

The major terms of these agreements are as follows:

- At 31 December 2021, maturity dates on these facilities range from 30 June 2022 to 23 March 2027 (30 June 2021: maturity dates from 23 July 2022 to 23 December 2026).
- All facilities are interest only with any drawn balance payable at maturity.
- The interest rate applied is the bank bill rate plus a margin depending on the gearing ratio.

The Group has a bank overdraft facility with a limit of AUD \$3m that was undrawn at 31 December 2021 and at 30 June 2021.

On 24 December 2021, the Group completed a refinancing of its debt facilities. This resulted in the transition from a secured "Club" arrangement to an unsecured lending platform under a new Common Terms Deed. On conclusion of this process the Group repaid existing facilities and entered into a combination of revolver facilities and bridging loans with a selection of major Australian banks. The Group continues to hold an institutional term loan with a major Australian superannuation fund, and an undrawn financing facility with JP Morgan.

Transaction costs of \$3.5m relating to extinguished facilities were derecognised in the period. These costs are included within restructuring and other non-recurring costs in the Statement of Profit and Loss.

The Group has complied with the financial covenants of their borrowing facilities during both the current and prior reporting periods. The fair value of interest-bearing borrowings approximates carrying value.

Interest rate swaps

The Group has the following future interest rate swaps in place as at the end of the reporting period:

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	360,000	385,000
Interest rate swaps (NZD) at face value		
Current interest rate swaps	-	50,000
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	-	46,551

12. Financial instruments fair value measurement

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the financial instruments recognised in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, financial instruments are classified into the following three levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for any financial assets held is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE FINANCIAL STATEMENTS

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The resulting fair value estimates for interest rate swaps are included in level 2.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2021				
<i>Derivative used for hedging - interest rate swaps</i>				
Current financial assets	-	25	-	25
Non-current financial assets	-	7,354	-	7,354
	-	7,379	-	7,379
At 30 June 2021				
<i>Derivative used for hedging - interest rate swaps</i>				
Current financial assets	-	11	-	11
Non-current financial assets	-	2,397	-	2,397
Current financial liabilities	-	(22)	-	(22)
Non-current financial liabilities	-	(103)	-	(103)
	-	2,283	-	2,283

There were no transfers between levels of fair value hierarchy during the period ended 31 December 2021.

13. Contributed equity

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Issued and paid up capital	162,301	161,320
Number of stapled securities on issue	31 Dec 2021 No.	30 Jun 2021 No.
Opening balance at 1 July	1,183,070,060	1,013,740,898
Institutional and retail placements	-	162,736,215
Distribution reinvestment plan	5,221,403	6,592,947
Securities issued under equity incentive plan	509,076	-
Closing balance	1,188,800,539	1,183,070,060

Distribution reinvestment plan

During the period 5,221,403 stapled securities were issued to securityholders participating in the Group's DRP for consideration of \$11.5m. The stapled securities were issued at the volume weighted average market price of the Group's stapled securities over a period of ten trading days, less a 2% discount. (30 June 2021, a total of 6,592,947 for total consideration of \$12m).

Securities issued under equity incentive plan

During the period 509,076 stapled securities were issued to the NSH senior executive team for FY21 Short Term Incentive ("STI") and Long Term Incentive ("LTI") remuneration under the Equity Incentive Plan ("the Plan"). These securities were issued following approval at the 2021 AGM on 26 October 2021. No consideration was paid by the recipients for the issue of the stapled securities, which were issued for a deemed price of \$2.044 per stapled security under the terms of the STI and LTI award. The deemed price was calculated using the volume weighted average market price of the Group's stapled securities over a 30-day trading period to 30 June 2021.

Capital raise

In the prior period, on 8 June 2021, the Group announced a fully underwritten \$325m equity raising. This resulted in the issue of 137,037,814 new stapled securities on 23 June 2021 and 25,698,401 new stapled

NOTES TO THE FINANCIAL STATEMENTS

securities on 30 June 2021. The issue price represented a discount of 3.8% on the last closing price of NSR stapled securities on 7 June 2021.

Terms and conditions of contributed equity

Stapled securities

A stapled security represents one share in NSH and one unit in NSPT. Stapled securityholders have the right to receive declared dividends from NSH and distributions from NSPT and are entitled to one vote per stapled security at securityholders' meetings. Holders of stapled securities can vote in accordance with the *Corporations Act 2001*, either in person or by proxy, at a meeting of either NSH or NSPT. The stapled securities have no par value. In the event of the winding up of NSH and NSPT, stapled securityholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held. Ordinary stapled securityholders rank after all creditors in repayment of capital.

14. Related party transactions

The following tables provide the total amount of transactions that have been entered into with related parties for the six months ended 31 December 2021 and 31 December 2020, as well as outstanding balances with related parties as at 31 December 2021 and 30 June 2021.

Transaction with related parties

		Revenue from related parties \$	Purchases from related parties \$	Amount owed by related parties \$	Amount owed to related parties \$
Bundall Commercial Trust	Current period	112,753	-	2,588,430	-
	Comparative period	112,197	-	2,458,421	-
Bundall Storage Trust	Current period	161,128	-	3,241,628	-
	Comparative period	775,894	-	3,078,992	-
Bundall Storage Operations Pty Ltd	Current period	30,539	-	140,710	-
	Comparative period	-	-	29,323	-
Spacer Marketplaces Pty Ltd	Current period	-	65,148	-	-
	Comparative period	-	107,511	-	-
The TBF & NS Trust	Current period	600,364	-	3,621,555	-
	Comparative period	300,493	-	3,529,934	-
Moorooka Storage Operations Pty Ltd	Current period	-	-	691	-
	Comparative period	-	-	-	-

As at 31 December 2021, the Group had receivables outstanding of \$1,775,000 (30 June 2021: \$1,775,000) with the Bundall Commercial Trust, \$2,850,000 (30 June 2021: \$2,850,000) with the Bundall Storage Trust, and \$1,150,000 (30 June 2021: \$1,675,000) with the TBF & NS Trust relating to amounts drawn down under facility agreements between the entities. These are included in the table above.

The facility agreements have terms ranging from 1 to 5 years, and are interest bearing on commercial rates. The receivables with the Bundall Commercial Trust and Bundall Storage Trust have been classed as current receivables in the statement of financial position as these receivables are expected to be repaid within 12 months of 31 December 2021. The receivable with the TBF & NS Trust have been classed as a non-current receivable in the statement of financial position as this receivable is not expected to be repaid within 12 months of 31 December 2021.

The remaining amounts owed by these entities relate to contractual management fees and accrued interest not paid at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

All other outstanding balances at period end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the periods ended 31 December 2021 and 30 June 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

15. Distributions declared

Unit distributions	31 Dec 2021	31 Dec 2020
Distributions declared	\$'000	\$'000
NSPT interim distribution of 4.6 cents per unit payable on 1 March 2022 (1 March 2021: 4.0 cents per unit)	54,685	40,708

16. Commitments and contingencies

Capital commitments

As at 31 December 2021, the Group held commitments to purchase one storage centre and three development sites for \$16.4m.

As at 31 December 2021, the Group has contractual commitments in place for the construction of self-storage centres of NZD \$7.2m (AUD \$6.8m) in New Zealand (see note 5).

The Group also held commitments associated with the development of intangible assets for \$0.4m.

There is no other capital expenditure contracted for at the end of the reporting period but not recognised as a liability. There are no other contingent assets or liabilities for the Group.

17. Earnings per stapled security

	31 Dec 2021 cents	31 Dec 2020 cents (adjusted)
Basic earnings per stapled security	23.09	9.93
Diluted earnings per stapled security	23.07	9.93

Reconciliation of earnings used in calculating earnings per stapled security

	\$'000	\$'000
Net profit attributable to members	274,116	101,378
	No. of securities	No. of securities
Weighted average number of securities on issue during the period	1,186,585,992	1,016,231,746
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	398,407	5,085,765
Weighted average number of securities for basic earnings per stapled security	1,186,984,399	1,021,317,511
Effects of dilution from issue of performance rights and restricted securities	1,217,959	-
Weighted average number of securities for diluted earnings per stapled security	1,188,202,358	1,021,317,511

As required by AASB 133 *Earnings per share*, for issues of capital during the period ended 31 December 2021 and 31 December 2020, the weighted average number of securities on issue used to calculate statutory basic and diluted earnings per stapled securities has been adjusted to reflect the difference between the issue price and the fair value of securities prior to issue. No actual securities were issued relating to this adjustment.

NOTES TO THE FINANCIAL STATEMENTS

Diluted EPS is calculated by dividing the profit attributed to members by the weighted average number of securities for basic earnings per stapled security plus the weighted average number of securities that would be issued on conversion of all dilutive potential stapled securities into stapled securities.

18. Share-based payments

Equity incentive plan

During the current period, the Group introduced a new Equity Incentive Plan. Under the Plan, the Group is able to offer a range of different awards to eligible employees, including restricted securities, performance rights and/or options. The grant of awards under the Plan allows the Group to motivate, incentivise and retain key employees, whilst creating maximum alignment with corporate and stakeholder best interests.

Restricted securities

As part of the FY22 executive remuneration plan, restricted securities are expected to be awarded to key management personnel of the Group, subject to the satisfaction of vesting conditions. These awards are classified as equity-settled share-based payments and have been recognised within share-based payment expense for the half-year ended 31 December 2021.

Performance rights

Key management personnel of the Group receive a component of remuneration under long term incentive plans in the form of share-based payments, whereby employees render services as consideration for equity instruments. This is structured through the issue of performance rights at the commencement of the three-year LTI assessment period. Each performance right is a right to receive one security, subject to vesting conditions. There is no consideration payable by the participant upon vesting of the performance rights.

In November 2021, the Group issued a total of 1,123,400 performance rights for the assessment periods 1 July 2020 – 30 June 2023 and 1 July 2021 – 30 June 2024 under the Plan. The vesting of these rights is contingent upon the meeting of pre-determined criteria, being total shareholder return and earnings per share growth targets. If these targets are not met, then the performance rights will lapse. The fair value at grant date of these rights is determined using an appropriate pricing technique which takes into account the terms and conditions upon which the options were granted. The fair value of rights granted was estimated on the date of grant using the following assumptions:

Dividend yield (%)	4.14
Expected volatility (%)	19.06
Risk-free interest rate (%)	0.68
Expected life of performance rights (years)	1.61 to 2.61
Share price on grant day (\$)	2.43

Expenses arising from items under the scope of AASB 2 share-based payments

For the half-year ended 31 December 2021, the Group has recognised \$1.4m of share-based payment expense in the statement of profit or loss (31 December 2020: \$nil). A corresponding amount has been recognised within share-based payment reserve.

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.

That cost is recognised in employee expense, together with a corresponding increase in equity (share-based payment reserve within other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). 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 expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE FINANCIAL STATEMENTS

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is 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 grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

19. Events after reporting period

For the period from 1 January 2022 to the date of this report the Group purchased one storage centre for \$3.5m. Four additional storage centres are under contract for \$60m and are due to settle in March 2022.

No other events have occurred between the reporting date and the issue date of the half year report which require disclosure in the financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of National Storage Holdings Limited, the Directors state that:

In the opinion of the Directors:

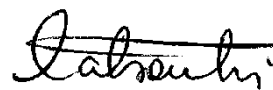
- (a) the financial statements and notes of NSR for the half-year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - b. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that NSR will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Laurence Brindle
Chairman

24 February 2022
Brisbane



Andrew Catsoulis
Managing Director



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Independent auditor's review report to the members of National Storage REIT

Conclusion

We have reviewed the accompanying half-year financial report of National Storage REIT (the Company) and its subsidiaries (collectively the Group) which comprises the interim statement of financial position as at 31 December 2021, the interim statement of profit or loss, the interim statement of other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibilities for the half-year financial report

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

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

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



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

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

Ernst & Young

A handwritten signature in black ink that reads 'Wade Hansen'.

Wade Hansen
Partner
Brisbane
24 February 2022