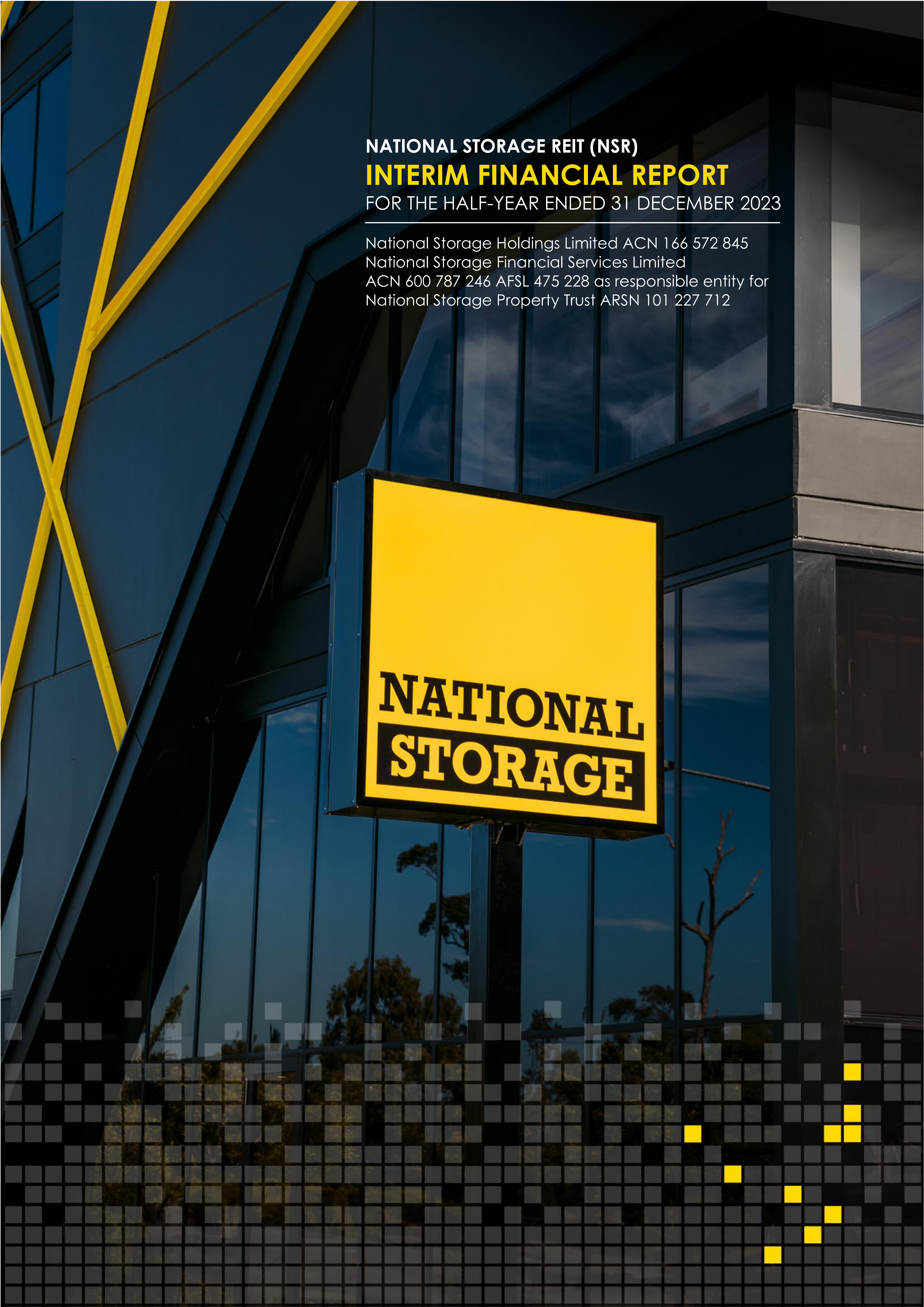
NATIONAL STORAGE REIT (NSR)

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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
Anthony Keane (Chairman)
Andrew Catsoulis
Howard Brenchley
Claire Fidler
Inma Beaumont
Scott Smith

Directors – the Responsible Entity
Anthony Keane
Andrew Catsoulis
Howard Brenchley
Claire Fidler
Inma Beaumont
Scott Smith

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 2023 ("**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.

Anthony Keane	Independent Non-Executive Chairman
Andrew Catsoulis	Managing Director
Claire Fidler	Executive Director
Howard Brenchley	Independent Non-Executive Director
Inmaculada Beaumont	Independent Non-Executive Director
Scott Smith	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.

Anthony Keane	Director
Andrew Catsoulis	Director
Claire Fidler	Director
Howard Brenchley	Director
Inmaculada Beaumont	Director
Scott Smith	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 2023, total revenue increased by 7% to $173.9m (31 December 2022: $162.5m) driven by self-storage revenue growth, increases in rate per square metre and an increase to total net lettable area through completion of developments and acquisitions. Occupancy across the Group has remained at high levels, finishing the reporting period at 84.2% across established centres, continuing to provide further upside for growth.

Underlying earnings[1] increased 6% to $76.0m (31 December 2022: $71.4m) through strong centre operating performance and contribution from new acquisitions and developments.

	H1 FY24	H1 FY23
IFRS profit after tax	$79.2m	$182.3m
Plus tax expense	$6.6m	$8.2m
Plus restructuring and other non-recurring costs	$0.5m	$0.0m
Plus amortisation of interest rate swap reset	$1.9m	$2.9m
Less fair value adjustments and foreign exchange movement	($7.5m)	($118.0m)
Less lease diminution on leasehold investment properties	($4.7m)	($4.0m)
Underlying earnings[(1)]	**$76.0m**	**$71.4m**

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

DIRECTORS' REPORT

Capital management

Cash and cash equivalents as at 31 December 2023 were $49.9m (30 June 2023: $67.3m) with net operating cashflow for the half-year increasing by $1.6m to $91.6m (31 December 2022: $90.0m).

An interim distribution of 5.5 cents per stapled security ($74.9m) was announced on 14 December 2023 with a payment date of 1 March 2024 (31 December 2022: interim distribution of $66.0m – 5.5 cents per stapled 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 year ended 30 June 2023 final distribution, 35% of eligible securityholders (by number of stapled securities) elected to receive their distributions as stapled securities. This raised equity of $25.7m from the issue of approximately 11,930,000 stapled securities during the period.

For the period ended 31 December 2023 interim distribution, 28% of eligible securityholders (by number of stapled securities) elected to receive their distributions as stapled securities. The DRP price has been set at $2.2692 based upon the volume weighted average market price of NSR stapled securities over a period of 10 trading days, less a 2% discount.

NSR's total available borrowing facilities are AUD $1,460m, and NZD $225m of which AUD $1,030m and NZD $130m are drawn at the reporting date.

NSR actively manages its debt facilities to ensure it has adequate investment capacity to fund future acquisitions, developments, and working capital requirements. During the period, NSR increased its total debt facilities by AUD $50m by repaying two term loans totalling $100m and entering into two new revolver loans for a total of $150m. NSR has also increased its hedge profile and extended the tenor of a number of financing facilities. This provides NSR with over $518m of available undrawn funding, of which $438m have tenor of greater than one year. NSR has well over $1.1 billion of headroom before it reaches the upper end of its target gearing range of 25% to 40%.

Development and acquisitions

NSR considers its ability to acquire and integrate quality self-storage assets to be one of the key drivers of its growth strategy and best-in-sector success to date. NSR's dedicated in-house development and acquisitions team maintains a core focus on identifying, facilitating and transacting on acquisitions that are considered to be appropriate for inclusion in the NSR portfolio.

During the reporting period, NSR executed on its focussed acquisition strategy across Australian and New Zealand with the acquisition of 4 storage centre assets, 5 development sites, 2 commercial assets from joint ventures and 2 freehold acquisitions of leasehold centres for total consideration of $124.2m. This added a further 19,200m^2 of net lettable area to NSR's portfolio.

NSR also completed the development and expansion of new storage centres adding a further 23,500m^2 of net lettable area to NSR's portfolio during the reporting period. In the reporting period NSR incurred capital expenditure of $115.2m on investment property assets under construction and at the reporting date had a development pipeline of 41 projects, projected to add an additional 343,000m^2 of net lettable area in future periods.

Investment in joint ventures and associates

During the reporting period NSR entered into a new joint venture arrangement with Bryan Family Group establishing the BFNS Trust and BFNS Operations Pty Ltd (together, the **BFNS** fund'). BFNS subsequently purchased a multi-level, state of the art self storage facility in Bundamba, QLD, which commenced trading in December 2023.

NSR has been appointed to manage the above project and generates income from its provision of a range of services including project delivery and management, corporate administration and centre operations.

NSR also acquired investment property assets from other joint ventures with the Bryan Family Group and the Bryan Family Foundation during the period for total consideration of $52.7m.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

For the period from 1 January 2024 to the date of this report the Group purchased one development site and the freehold title of a leasehold centre for total consideration of $8.3m.

The Group has also entered into conditional contracts for the purchase of a portfolio of nine storage centres (either established or under development) for total consideration of $68.5m. The first stage of established properties are due to settle in late March 2024, with the second stage of properties currently under development due to settle at various stages between March 2024 and February 2025.

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.

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 21 February 2024 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.

Anthony Keane Chairman National Storage Holdings Limited Brisbane	Andrew Catsoulis Managing Director National Storage Holdings Limited Brisbane

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Auditor's independence declaration to the directors of National Storage Holdings Limited and its controlled entities

As lead auditor for the review of the half-year financial report of National Storage Holdings Limited and its controlled entities for the half-year ended 31 December 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 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 Holdings Limited and its controlled entities during the financial period.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
21 February 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December

	Notes	2023 $'000	2022 $'000
Revenue from rental income		161,595	153,389
Revenue from contracts with customers	4	11,236	8,394
Interest income		1,079	685
Total revenue		**173,910**	**162,468**
Employee expenses		(30,317)	(28,909)
Premises costs		(21,150)	(18,946)
Advertising and marketing costs		(3,149)	(4,123)
Insurance costs		(3,618)	(3,022)
Information technology and communications		(4,361)	(3,811)
Other operational expenses		(9,073)	(8,841)
Finance costs		(24,591)	(22,527)
Share of profit from joint ventures and associates	8	1,099	244
Net gain from fair value adjustments	5	7,127	117,019
Restructuring and other non-recurring costs		(501)	-
Foreign exchange gain		380	955
Profit before income tax		**85,756**	**190,507**
Income tax expense	6	(6,579)	(8,165)
Profit after tax		**79,177**	**182,342**
Profit for the period attributable to:			
Members of National Storage Holdings Limited		16,725	18,461
Non-controlling interest (unit holders of NSPT)		62,452	163,881
		79,177	**182,342**
Basic earnings per stapled security (cents)	19	5.83	15.10
Diluted earnings per stapled security (cents)	19	5.83	15.08

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes and 30 June 2023 Financial Statements of National Storage REIT.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December

	2023 $'000	2022 $'000
Profit after tax	**79,177**	**182,342**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,090	7,984
Net (loss) / gain on cash flow hedges	(3,989)	665
Total other comprehensive (loss) / gain, net of tax	**(899)**	**8,649**
Total comprehensive income	**78,278**	**190,991**
Comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	16,750	18,540
Non-controlling interest (unit holders of NSPT)	61,528	172,451
	78,278	**190,991**

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes and 30 June 2023 Financial Statements of National Storage REIT.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 Dec 2023 $'000	As at 30 Jun 2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents		49,851	67,330
Trade and other receivables		7,397	17,308
Inventories		1,794	2,107
Income tax receivable		19	-
Other current assets	11	12,010	11,383
Total current assets		**71,071**	**98,128**
Non-current assets			
Trade and other receivables		8,760	181
Property, plant and equipment		1,420	1,241
Right of use assets	9	3,875	4,381
Investment properties	7	4,647,462	4,384,736
Investment in joint ventures and associates	8	10,563	8,986
Income tax receivable		285	-
Intangible assets	12	46,844	47,024
Deferred tax assets		8,951	9,176
Other non-current assets	11	25,444	28,183
Total non-current assets		**4,753,604**	**4,483,908**
Total Assets		**4,824,675**	**4,582,036**
LIABILITIES			
Current liabilities			
Trade and other payables		37,949	30,117
Lease liabilities	9	11,308	11,285
Deferred revenue		16,403	17,045
Income tax payable		1,480	8,606
Provisions		5,190	4,947
Distribution payable	17	74,862	74,161
Total current liabilities		**147,192**	**146,161**
Non-current liabilities			
Trade and other payables		1,266	1,283
Borrowings	13	1,145,517	941,133
Lease liabilities	9	86,463	90,086
Provisions		8,864	9,359
Deferred tax liabilities		6,530	6,208
Other liabilities		12,491	1,289
Total non-current liabilities		**1,261,131**	**1,049,358**
Total Liabilities		**1,408,323**	**1,195,519**
Net Assets		**3,416,352**	**3,386,517**
EQUITY			
Non-controlling interest (unit holders of NSPT)		3,125,548	3,113,954
Contributed equity	15	194,182	191,938
Other reserves		1,615	2,343
Retained earnings		95,007	78,282
Total Equity		**3,416,352**	**3,386,517**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and 30 June 2023 Financial Statements of National Storage REIT.

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 31 December

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 2023		**191,938**	**78,282**	**2,343**	**3,113,954**	**3,386,517**
Profit for the period		-	16,725	-	62,452	79,177
Other comprehensive income / (loss)		-	-	25	(924)	(899)
Total comprehensive income for the period		**-**	**16,725**	**25**	**61,528**	**78,278**
Issue of stapled securities	15	2,247	-	(1,498)	24,967	25,716
Costs associated with issue of stapled securities		(3)	-	-	(39)	(42)
Share-based payments	20	-	-	745	-	745
Distributions	17	-	-	-	(74,862)	(74,862)
		2,244	**-**	**(753)**	**(49,934)**	**(48,443)**
Balance at 31 December 2023		**194,182**	**95,007**	**1,615**	**3,125,548**	**3,416,352**
Balance at 1 July 2022		**163,526**	**40,978**	**2,415**	**2,631,973**	**2,838,892**
Profit for the period		-	18,461	-	163,881	182,342
Other comprehensive income		-	-	79	8,570	8,649
Total comprehensive income for the period		**-**	**18,461**	**79**	**172,451**	**190,991**
Issue of stapled securities	15	817	-	(1,640)	10,025	9,202
Costs associated with issue of stapled securities		(10)	-	-	(23)	(33)
Deferred tax on cost of issue of stapled securities		3	-	-	-	3
Share-based payments	20	-	-	756	-	756
Distributions	17	-	-	-	(66,001)	(66,001)
		810	**-**	**(884)**	**(55,999)**	**(56,073)**
Balance at 31 December 2022		**164,336**	**59,439**	**1,610**	**2,748,425**	**2,973,810**

The above Consolidated Statement of Changes of Equity should be read in conjunction with the accompanying notes and 30 June 2023 Financial Statements of National Storage REIT.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December

	2023 $'000	2022 $'000
Operating activities		
Receipts from customers	193,550	180,184
Payments to suppliers and employees	(90,844)	(81,489)
Interest received	2,454	1,021
Income tax paid	(13,515)	(9,760)
Net cash flows from operating activities	**91,645**	**89,956**
Investing activities		
Purchase of investment properties	(100,164)	(166,630)
Development of investment properties under construction	(115,244)	(38,963)
Improvements to investment properties	(6,769)	(3,337)
Purchase of property, plant and equipment	(484)	(283)
Purchase of intangible assets	(309)	(680)
Investments in joint ventures and associates	(5,572)	(100)
Financing provided to joint ventures	(6,550)	-
Repayment of financing from joint ventures	3,473	1,150
Distributions received from joint ventures	5,094	1,618
Net cash flows used in investing activities	**(226,525)**	**(207,225)**
Financing activities		
Distributions paid to stapled security holders	(48,445)	(55,355)
Transaction costs on issue of stapled securities	(42)	(33)
Repayment of borrowings	(150,000)	(130,000)
Proceeds from borrowings	353,094	300,074
Interest and other finance costs paid	(29,446)	(18,941)
Payment of principal and interest on lease liabilities	(7,797)	(6,183)
Net cash flows from financing activities	**117,364**	**89,562**
Net decrease in cash and cash equivalents	(17,516)	(27,707)
Net foreign exchange difference	37	101
Cash and cash equivalents at 1 July	67,330	83,651
Cash and cash equivalents at 31 December	**49,851**	**56,045**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes and 30 June 2023 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 (National Storage Financial Services Limited) 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 termination by either entity.

The interim financial report of NSR for the half-year ended 31 December 2023 was approved on 21 February 2024, in accordance with a resolution from the Board of Directors of NSH.

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 2023 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 2023 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 consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

The Group has elected to present only financial information relating to NSR within this interim financial report. A separate interim financial report for the NSPT Group has also been prepared for the half-year ended 31 December 2023, this is available at www.nationalstorageinvest.com.au.

The consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 30 June 2023 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 2023.

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 2023, the Group had an excess of current liabilities over current assets of $76.1m (30 June 2023: $48.0m)

Accounting standards require the lease liability to be split between current and non-current while the corresponding asset is classed as non-current. This results in $10.1m of lease liabilities being classified as current (30 June 2023: $10.1m). The Directors believe the excess of the total investment property value over the lease liability reflects a positive position in both the immediate and long-term. Current liabilities also include deferred revenue of $16.4m associated with prepaid storage rentals which are not expected to result in a cash outflow (30 June 2023: $17.0m).

The Group generated operating cash flows of $91.6m for the half year ended 31 December 2023 (31 December 2022: $90.0m). Sufficient cash inflows from operations are expected to enable all liabilities to be paid when due. The Group also has undrawn facilities of $438m which have a tenor of over one year. The Group's gearing levels remain low at 23.4% as at 31 December 2023 (30 June 2023: 19.8%).

The interim 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 consolidated financial statements.

The accounting policies adopted in the preparation of the 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 2023.

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 consolidated 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. Revenue from contracts with customers

	31 Dec 2023 $'000	31 Dec 2022 $'000
Sale of goods and services	2,434	3,971
Agency fees and commissions	3,178	3,208
Design, development, and project delivery fees	2,776	100
Management fees	2,848	1,115
Total revenue from contracts with customers	**11,236**	**8,394**

5. Fair value adjustments

	31 Dec 2023 $'000	31 Dec 2022 $'000
Gains / (losses) for the period in profit or loss (recognised in fair value adjustments)		
Realised losses – lease diminution of leasehold property	(4,633)	(4,045)
Unrealised gains associated with investment property	15,845	120,554
Movement in provisions presented in fair value adjustments	651	510
Change in fair value of derivatives recognised at fair value through the profit or loss	(4,736)	-
	7,127	**117,019**

NOTES TO THE FINANCIAL STATEMENTS

6. Income tax

The major components of income tax expense in the consolidated statement of profit or loss are:

For the six months ended 31 December	2023 $'000	2022 $'000
Consolidated statement of profit or loss		
Current tax	5,506	7,379
Deferred tax	1,097	691
Adjustment in relation to prior periods	(24)	95
Total income tax expense	**6,579**	**8,165**
Deferred tax relating to items recognised in consolidated statement of changes in equity during the period		
Cost of issuing share capital	-	(3)

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%.

7. Investment properties

	31 Dec 2023 $'000	30 Jun 2023 $'000
Leasehold investment properties	135,151	136,775
Freehold investment properties in operation	4,167,257	3,978,791
Investment properties under construction	345,054	269,170
Total investment properties	**4,647,462**	**4,384,736**
Leasehold investment properties		
Opening balance at 1 July	136,775	140,681
Property acquisitions	-	2,048
Improvements to investment properties	144	324
Reassessment of lease terms	1,838	1,641
Items reclassified to freehold investment properties in operation	(360)	(230)
Lease diminution, presented as fair value adjustments	(4,633)	(8,361)
Net gain from other fair value adjustments	1,387	672
Closing balance at 31 December / 30 June	**135,151**	**136,775**
Freehold investment properties in operation		
Opening balance at 1 July	3,978,791	3,612,082
Property acquisitions	100,642	136,944
Improvements to investment properties	6,625	5,875
Items reclassified from leasehold investment properties	360	230
Items reclassified to investment properties under construction	(9,560)	(6,109)
Items reclassified from investment properties under construction	71,640	28,949
Net gain from fair value adjustments	14,458	193,277
Effect of movement in foreign exchange	4,301	7,543
Closing balance at 31 December / 30 June	**4,167,257**	**3,978,791**
Investment properties under construction		
Opening balance at 1 July	269,170	77,471
Property acquisitions	28,614	114,014
Development costs	109,350	100,525
Items reclassified to freehold investment properties	(71,640)	(28,949)
Items reclassified from freehold investment properties	9,560	6,109
Closing balance at 31 December / 30 June	**345,054**	**269,170**

NOTES TO THE FINANCIAL STATEMENTS

8. Interest in joint ventures and associates

Interest in joint ventures

	31 Dec 2023 $'000	30 Jun 2023 $'000
Opening balance at 1 July	5,794	7,433
Acquisition of shareholding in joint venture	5,460	-
Share of profit / (loss) from joint ventures*	1,061	(20)
Distributions received from joint ventures	(5,094)	(1,619)
Closing balance at 31 December / 30 June	**7,221**	**5,794**

**Included within share of profit from joint ventures is $nil representing NSR's share of fair value gains related to investment properties held by joint ventures (31 Dec 2022: $0.3m).*

During the period the Group subscribed to a 30% interest in BFNS Trust and BFNS Operations Pty Ltd for $5.5m. BFNS Trust subsequently purchased a newly constructed self storage centre in Queensland, Australia. This centre commenced trading in December 2023 and is operated by BFNS Operations Pty Ltd.

The Group also held a 25% interest in the Bundall Storage Trust, Bundall Commercial Trust, Bundall Storage Operations Pty Ltd, the TBF & NS Trust, Moorooka Storage Operations Pty Ltd at 31 December 2023. The Bundall Commercial Trust derives rental property income from the leasing of commercial units.

During the period, the Group acquired one storage centre investment property asset from the Bundall Storage Trust for $40.2m. This centre was previously operated by Bundall Storage Operations Pty Ltd. The Group also acquired commercial investment property from Bundall Commercial Trust for $5.4m, and the TBF & NS Trust for $7.1m. There was no change in the share of the Group's interest following this transaction. The Group received distributions totalling $5.1m as a result of these transactions.

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 2023 $'000	30 Jun 2023 $'000
Opening balance at 1 July	3,192	3,095
Acquisition of shareholding in associate	112	100
Share of profit / (loss) from associates	38	(3)
Closing balance at 31 December / 30 June	**3,342**	**3,192**

The Group holds a 21.6% (30 June 2023: 21.0%) holding in Spacer Technologies Pty Ltd ("**Spacer**"). Spacer operate online peer-to-peer marketplaces for self-storage and parking in Australia and North America. None of the Group's joint ventures or associates are listed on any public exchange.

See note 16 for fees received and purchases from joint ventures and associates.

NOTES TO THE FINANCIAL STATEMENTS

9. Right of use assets and lease liabilities

Right of use assets

	Premises leases $'000	Equipment leases $'000	Advertising leases $'000	Total $'000
Opening balance at 1 July 2023	4,259	5	117	4,381
Additions	-	57	-	57
Depreciation charge	(556)	(6)	(4)	(566)
Effect of movement in foreign exchange	2	-	1	3
Closing balance at 31 December 2023	**3,705**	**56**	**114**	**3,875**
Opening balance at 1 July 2022	4,656	386	123	5,165
Additions	585	101	-	686
Depreciation charge	(1,010)	(469)	(8)	(1,487)
Reassessment of variable lease payments	28	(13)	-	15
Effect of movement in foreign exchange	-	-	2	2
Closing balance at 30 June 2023	**4,259**	**5**	**117**	**4,381**

Lease liabilities	31 Dec 2023 $'000	30 Jun 2023 $'000
Current lease liabilities		
Lease liabilities relating to right of use assets	1,194	1,151
Lease liabilities relating to right of use assets presented as leasehold investment property	10,114	10,134
Total current lease liabilities	**11,308**	**11,285**
Non-current lease liabilities		
Lease liabilities relating to right of use assets	3,200	3,756
Lease liabilities relating to right of use assets presented as leasehold investment property	83,263	86,330
Total non-current lease liabilities	**86,463**	**90,086**
Total lease liabilities	**97,771**	**101,371**

The Group has several lease contracts that include extension and termination options. The Group has included the extension period as part of the lease term for leases of investment property where the option is expected to be exercised at the next renewal period.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term.

	Within five years $'000	More than five years $'000	Total $'000
Extension options expected not to be exercised			
At 31 December 2023	4,759	245,904	250,663
At 30 June 2023	5,583	247,540	253,123

NOTES TO THE FINANCIAL STATEMENTS

10. Non-financial assets fair value measurement

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2023				
Leasehold investment properties	-	-	135,151	135,151
Freehold investment properties	-	-	4,167,257	4,167,257
	-	**-**	**4,302,408**	**4,302,408**
At 30 June 2023				
Leasehold investment properties	-	-	136,775	136,775
Freehold investment properties	-	-	3,978,791	3,978,791
	-	**-**	**4,115,566**	**4,115,566**

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 2023 or the year ended 30 June 2023.

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, at a minimum, unless a more frequent valuation is required. 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 2023 have been held at acquisition price.

Valuation inputs and relationship to fair value

Description	Significant unobservable inputs	Range at 31 Dec 2023*	Range at 30 Jun 2023
Investment properties - freehold	Primary capitalisation rate	4.8% to 7.9%	4.7% to 7.9%
	Secondary capitalisation rate	5.3% to 8.1%	5.3% to 8.1%
	Weighted average primary cap rate	5.8%	5.8%
	Weighted average secondary cap rate	6.4%	6.4%
	Weighted average sustainable occupancy	88.3%	88.1%
	Stabilised average EBITDA	$1,156,020	$1,134,151
Investment properties - leasehold	Primary capitalisation rate	6.0% to 31.6%	6.0% to 55.0%
	Secondary capitalisation rate	6.5% to 31.6%	6.5% to 55.0%
	Weighted average primary cap rate	13.1%	13.4%
	Weighted average secondary cap rate	13.6%	13.6%
	Weighted average sustainable occupancy	87.4%	87.3%
	Stabilised average EBITDA	$433,839	$390,860

Under the income capitalisation method, a property's fair value is estimated based upon a combination of current trading income and potential income. Potential income is subject to a higher degree of risk, reflected in a higher secondary capitalisation rate.

Current earnings before interest, tax, depreciation and amortisation ("**EBITDA**") generated by the property is divided by the primary capitalisation rate (the investor's required rate of return). Potential income is represented by 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 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 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 2023:

	Leasehold		Freehold	
Unobservable inputs	**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%)	(3,100) / 3,950	1% / (1%)	(497,440) / 705,197
Secondary capitalisation rate	2% / (2%)	(1,200) / 2,000	2% / (2%)	(113,153) / 221,348
Sustainable occupancy	5% / (5%)	8,125 / (5,450)	5% / (5%)	254,050 / (157,857)
Stabilised average EBITDA	5% / (5%)	2,075 / (1,900)	5% / (5%)	177,461 / (115,249)

At 30 June 2023:

	Leasehold		Freehold	
Unobservable inputs	**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%)	(3,275) / 4,200	1% / (1%)	(524,915) / 746,138
Secondary capitalisation rate	2% / (2%)	(575) / 950	2% / (2%)	(94,237) / 186,433
Sustainable occupancy	5% / (5%)	8,125 / (3,475)	5% / (5%)	256,914 / (136,278)
Stabilised average EBITDA	5% / (5%)	2,100 / (1,375)	5% / (5%)	182,084 / (131,438)

NOTES TO THE FINANCIAL STATEMENTS

11. Other assets

	31 Dec 2023 $'000	30 Jun 2023 $'000
Current		
Prepayments	8,649	10,864
Financial assets (derivatives)	3,361	519
	12,010	**11,383**
Non-current		
Deposits	8,433	8,876
Financial assets (derivatives)	17,011	19,307
	25,444	**28,183**
Total current and non-current	**37,454**	**39,566**

12. Intangible assets

	31 Dec 2023 $'000	30 Jun 2023 $'000
Goodwill	43,954	43,954
Other intangibles	2,890	3,070
Total intangible assets	**46,844**	**47,024**

Impairment testing of goodwill

Goodwill has been allocated to the listed group (NSR). 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 the portfolios of the Group.

An assessment was performed to identify any significant indicators of impairment subsequent to the annual assessment performed at 30 June 2023. There were no indicators of impairment identified for the half-year ended 31 December 2023.

In the event that indicators of impairment were identified, the methodologies for calculation of impairment would be consistent with those described in the 30 June 2023 annual report.

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

NOTES TO THE FINANCIAL STATEMENTS

13. Borrowings

	31 Dec 2023 $'000	30 Jun 2023 $'000
Non-current borrowings		
Bank finance facilities	1,151,087	946,958
Non-amortised borrowing costs	(5,570)	(5,825)
Total non-current borrowings	**1,145,517**	**941,133**

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 2023 $'000	30 Jun 2023 $'000
Bank finance facilities (AUD)		
Drawn amount	1,030,000	855,000
Facility limit	1,460,000	1,410,000
Bank finance facilities (NZD)		
Drawn amount	130,500	100,000
Facility limit	225,000	225,000
AUD equivalent of NZD facilities		
Drawn amount	121,087	91,957
Facility limit	208,770	206,904

The major terms of these agreements are as follows:

- At 31 December 2023, the Group has drawn facilities with maturity dates ranging from 21 March 2025 to 13 June 2030 (30 June 2023: maturity dates from 23 December 2024 to 13 June 2030)
- The Group also has undrawn facilities at 31 December 2023 with maturity dates ranging from 2 September 2024 to 22 August 2028 (30 June 2023: maturity dates from 1 September 2023 to 30 November 2027).
- All facilities are unsecured and interest only with any drawn balance payable at maturity.
- The interest rate applied is the bank bill rate plus a margin.

The Group has a bank overdraft facility with a limit of AUD $3m that was undrawn at 31 December 2023 and at 30 June 2023.

During the period, the Group repaid two term loans totalling $100m and entered into two new revolver loans for a total of $150m with a domestic bank. 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 derivatives

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

	31 Dec 2023 $'000	30 Jun 2023 $'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	350,000	300,000
Future interest rate swaps	350,000	50,000
Interest rate swaps (NZD) at face value		
Current interest rate swaps	50,000	50,000
Future interest rate swaps	25,000	25,000
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	46,393	45,979
Future interest rate swaps	23,197	22,989

Interest rate swaps in place at the end of the reporting period have maturity dates excluding options ranging from 23 September 2024 to 23 September 2027 (30 June 2023: 23 September 2023 to 23 June 2027).

Interest rate swaptions

Interest rate swaptions are option contracts that provide the counterparty with the option but not the obligation to extend an interest rate swap at a specified future date on predetermined terms. As at the end of the reporting period, the interest rate swaptions provide the counterparty with the option but not the obligation to extend the term of predetermined interest rate swaps to maturity dates ranging from 23 June 2027 to 23 September 2030 (30 June 2023: 23 June 2027 to 23 June 2029).

During the period ending 31 December 2023, the Group had entered into interest rate swaptions with notional values of AUD $440.0m and $50.0m NZD (AUD: $46.4m) (30 June 2023: AUD $40.0m and $50.0m NZD (AUD: $46.0m)). The fair value of these interest rate swaptions was recorded in the Statement of Financial Position as $10.0m in other liabilities (30 June 2023: $0.6m in other liabilities).

Interest rate caps

Interest rate caps are financial instruments that set a maximum interest rate payable on a notional amount over a specified period. The Group enters into interest rate caps which impacts an interest rate swap by providing a maximum or minimum limit on the floating interest rate payments that the Group's counterparty must make to the Group under the swap.

As at 31 December 2023, the Group had sold interest rate caps with a total notional value of $440.0m (30 June 2023: $40.0m) to lower the blended swap rate when the BBSY rate is below the agreed threshold (set quarterly). If the BBSY rate is above this threshold at the quarterly roll date the Group is required to pay additional interest payments. The fair value of these interest rate caps was recorded in the Statement of Financial Position as $2.4m in other liabilities (30 June 2023: $0.7m in other liabilities)

14. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2023				
Interest rate derivatives				
Current financial assets	-	3,361	-	3,361
Non-current financial assets	-	17,011	-	17,011
Non-current financial liabilities	-	(12,491)	-	(12,491)
	-	**7,881**	**-**	**7,881**
At 30 June 2023				
Interest rate derivatives				
Current financial assets	-	519	-	519
Non-current financial assets	-	19,307	-	19,307
Non-current financial liabilities	-	(1,289)	-	(1,289)
	-	**18,537**	**-**	**18,537**

There were no transfers between levels of fair value hierarchy during the period ended 31 December 2023 (30 June 2023: $nil).

15. Contributed equity

	31 Dec 2023 $'000	30 Jun 2023 $'000
Issued and paid up capital	**194,182**	**191,938**

Number of stapled securities on issue	**31 Dec 2023 No.**	**30 Jun 2023 No.**
Opening balance at 1 July	1,348,382,592	1,195,498,309
Institutional and retail capital raises	-	141,229,611
Distribution reinvestment plan	11,930,189	10,928,651
Stapled securities issued under equity incentive plan	816,693	726,021
Closing balance	**1,361,129,474**	**1,348,382,592**

Distribution reinvestment plan

During the period, 11,930,189 stapled securities were issued to securityholders participating in the Group's dividend distribution plan for consideration of $25.7m. 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 2023: 10,928,651 stapled securities issued for total consideration of $25.7m).

Securities issued under equity incentive plans

During the period, 254,993 stapled securities were issued to the NSH senior executive team for FY23 Short Term Incentives ("**STI**"). No consideration was paid by the recipients for the issue of the stapled securities, which were issued for a deemed price of $2.2589 per stapled security under the terms of the STI 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 2022.

561,700 stapled securities were issued to the NSH senior executive team following the vesting of performance rights under Long Term Incentive ("**LTI**") remuneration. 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 calculated using the volume weighted average market price of the Group's stapled securities over a 30-day trading period to 30 June 2021 under the terms of the LTI award.

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.

16. 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 2023 and 31 December 2022, as well as outstanding balances with related parties as at 31 December 2023 and 30 June 2023.

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	47,229	-	1,155,809	-
	Comparative period	115,153	-	2,915,866	-
Bundall Storage Trust	Current period	55,017	-	-	-
	Comparative period	163,528	-	3,717,686	-
Bundall Storage Operations Pty Ltd	Current period	187,020	-	-	50
	Comparative period	100,675	-	390,732	-
Spacer Technologies Pty Ltd	Current period	-	37,201	-	-
	Comparative period	-	20,882	-	-
The TBF & NS Trust	Current period	1,279,052	-	143,934	-
	Comparative period	159,333	-	51,346	-
Moorooka Storage Operations Pty Ltd	Current period	69,470	-	-	50
	Comparative period	38,217	-	41,551	-
BFNS Operations Pty Ltd	Current period	61,758	-	89,796	-
	Comparative period	-	-	-	-
BFNS Trust	Current period	1,966,704	-	9,048,408	-
	Comparative period	-	-	-	-

As at 31 December 2023, the Group had receivables outstanding of $1,152,000 (30 June 2023: $1,775,000) with the Bundall Commercial Trust and $6,550,000 with the BFNS Trust (30 June 2023: $nil) relating to amounts drawn down under facility agreements between the entities. During the period the receivable from the Bundall Storage Trust was fully repaid (30 June 2023: $2,850,000). 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 have been classed as current receivables in the consolidated statement of financial position as these receivables are expected to be repaid within 12 months of 31 December 2023. The receivables with the BFNS Trust have been classed as non-current receivables as they are not expected to be repaid within 12 months of 31 December 2023.

The remaining amounts owed by these entities relate to contractual management fees and accrued interest not paid at 31 December 2023.

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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 2023 and 30 June 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

17. Distributions declared

Unit distributions Distributions declared	**31 Dec 2023** **$'000**	**31 Dec 2022** **$'000**
NSPT interim distribution of 5.5 cents per unit payable on 1 March 2024 (1 March 2023: 5.5 cents per unit)	74,862	66,001

18. Commitments and contingencies

Capital commitments

As at 31 December 2023, the Group held commitments to purchase the freehold of a leasehold component of an existing storage centre and five additional development sites for $26.6m.

As at 31 December 2023, the Group has contractual commitments in place for the construction of self-storage centres of $195.6m in Australia.

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.

19. Earnings per stapled security

	31 Dec 2023 **cents**	**31 Dec 2022** **cents** **(restated)**
Basic earnings per stapled security	5.83	15.10
Diluted earnings per stapled security	5.83	15.08

Reconciliation of earnings used in calculating earnings per stapled security

	$'000	**$'000**
Net profit attributable to members	79,177	182,342
	No. of securities	**No. of securities (restated)**
Weighted average number of securities on issue during the period	1,356,513,477	1,198,198,176
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	688,021	9,658,255
Weighted average number of securities for basic earnings per stapled security	1,357,201,498	1,207,856,431
Effects of dilution from issue of performance rights and restricted securities	1,422,000	1,422,000
Weighted average number of securities for diluted earnings per stapled security	1,358,623,498	1,209,278,431

As required by AASB *133 Earnings per share,* for issues of capital during the period ended 31 December 2023 and 31 December 2022, 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.

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.

20. Share-based payments

Equity Incentive Plan

Under the Group's Equity Incentive Plan, key management personnel ("**KMP**") receive a component of their short-term incentive ("**STI**") and long-term incentive ("**LTI**") remuneration in the form of share-based payments.

Short-term incentive remuneration

The equity component of STI remuneration is structured through the issuance of restricted securities at the end of a one-year assessment period, subject to satisfaction of pre-determined vesting conditions. If these conditions are not met, the restricted securities will not vest.

The maximum value of the STI payable under the FY24 award is set at 30 June 2023, with the number of instruments to be granted calculated using the 30-day volume weighted average price ("**VWAP**") to 30 June 2024.

For the six months ended 31 December 2023, the Group has recognised $302,000 of share-based payment expense in the consolidated statement of profit or loss for restricted securities expected to be issued under the FY24 STI award (31 December 2022: $288,000).

Long-term incentive remuneration

The equity component of LTI remuneration is structured through the issuance of performance rights at the commencement of a three-year LTI assessment period. Each performance right is a right to receive one stapled security of the Group, subject to the satisfaction of pre-determined vesting conditions. If these vesting conditions are not met, the performance rights will lapse. There is no consideration payable by the participant upon vesting of the performance rights.

The following table illustrates the number of, and movements in, performance rights during the period:

	31 Dec 2023 No. of rights	30 Jun 2023 No. of rights
Outstanding as at 1 July	1,718,500	1,123,400
Granted during the period / year	633,900	595,100
Vested during the period / year	(561,700)	-
Outstanding at 31 December / 30 June	1,790,700	1,718,500
Exercisable at 31 December / 30 June	-	561,700

Fair value of performance rights

Performance rights contain both a market vesting condition (Total Shareholder Reward) and a non-market vesting condition (EPS growth target). The fair value of performance rights containing a market vesting condition are estimated at the date of grant using a Monte Carlo simulation and trinomial lattice combination, taking into account the terms and conditions on which the performance rights were granted. The model simulates the TSR and compares it with a group of principal competitors. It takes into account historical and expected dividends, and share price volatility of the Group relative to that of its competitors so as to predict the share performance.

The fair value of performance rights containing a non-market vesting condition (EPS growth target) are estimated at the date of grant using a binomial model, taking into account the terms and conditions on which the performance rights were granted.

Both models were prepared by an independent valuation expert.

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The following table lists the model inputs used to determine the fair value at grant date of performance rights issued under the Plan:

	Grant date	Vesting date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate
			$	%	%	%
FY24 performance rights	22-Nov-21	30-Jun-24	2.43	30.22	3.37	0.96
FY25 performance rights	11-Nov-22	30-Jun-25	2.49	32.20	4.34	3.16
FY26 performance rights	02-Nov-23	30-Jun-26	2.03	22.00	5.42	4.31

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.

The weighted average fair value of the performance rights granted during the six months ended 31 December 2023 was $1.22 (year ended 30 June 2023: $1.61).

Expenses arising from performance rights

For the six months ended 31 December 2023, the Group has recognised $443,000 of share-based payment expense in the consolidated statement of profit or loss for performance rights (31 December 2022: $468,000).

21. Events after reporting period

For the period from 1 January 2024 to the date of this report the Group purchased one development site and the freehold title of a leasehold centre for total consideration of $8.3m.

The Group has also entered into conditional contracts for the purchase of a portfolio of nine storage centres (either established or under development) for total consideration of $68.5m. The first stage of established properties are due to settle in late March 2024, with the second stage of properties currently under development due to settle at various stages between March 2024 and February 2025.

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 2023 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 2023 and of its 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*; 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,

Anthony Keane	Andrew Catsoulis
Chairman	Managing Director

21 February 2024
Brisbane

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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 2023, the interim statement of profit or loss, the interim statement of other comprehensive income, the interim statement of changes in equity and 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, we have not become aware of any matter that makes us 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 2023 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 2023 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.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
21 February 2024