

NATIONAL STORAGE PROPERTY TRUST (NSPT)
INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

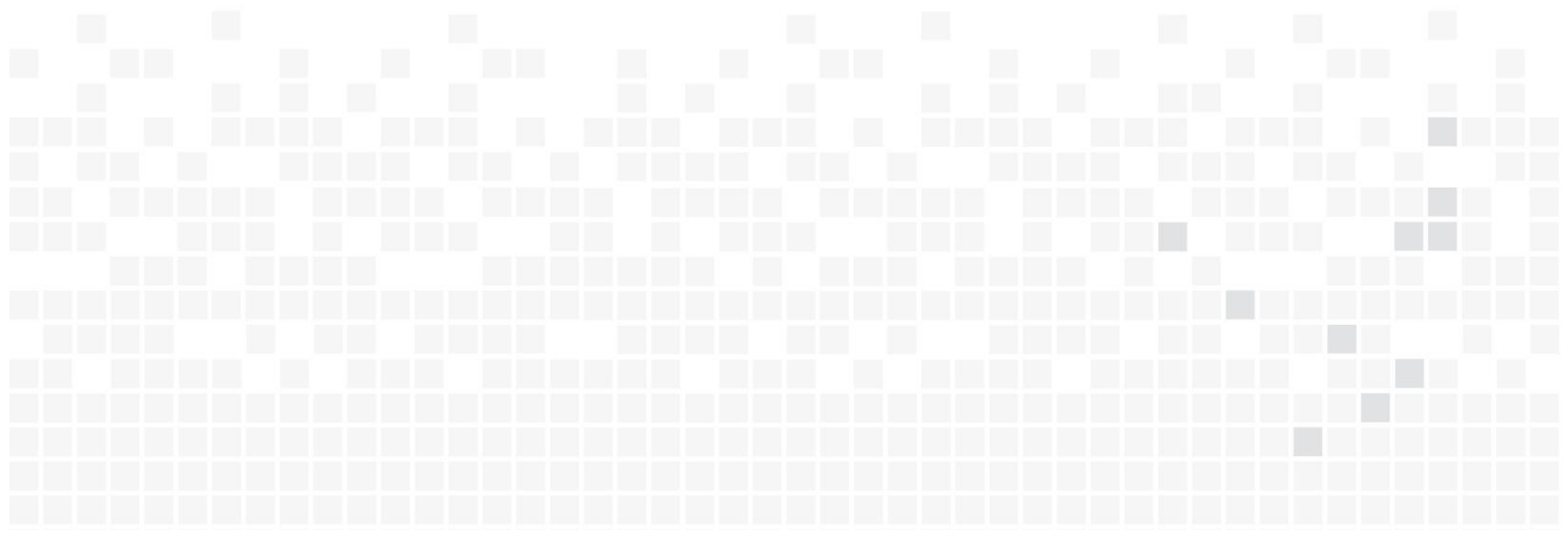
National Storage Financial Services Limited
ACN 600 787 246 AFSL 475 228 as responsible entity for
National Storage Property Trust ARSN 101 227 712

A yellow rectangular sign with a black border, mounted on a black pole. The sign features the words "NATIONAL" and "STORAGE" in bold, black, sans-serif capital letters, stacked vertically. The sign is positioned in front of a modern building with large glass windows and dark structural elements. The building's facade is reflected in the glass. The overall scene is set against a clear blue sky.

**NATIONAL
STORAGE**

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CORPORATE INFORMATION

National Storage Property Trust ARSN 101 227 712 ("**NSPT Group**" or "**the Group**")¹

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 – the Responsible Entity

Andrew Catsoulis
Anthony Keane
Claire Fidler
Howard Brenchley
Inmaculada Beaumont
Scott Smith

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

Unit registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Auditor

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

¹ NSPT is stapled to National Storage Holdings Limited ("**NSH**") to form National Storage REIT ("**NSR**"). NSR stapled securities are quoted on the Australian Securities Exchange ("**ASX**") – trading code ASX:NSR.

DIRECTORS' REPORT

The NSPT Group is a Consolidated Group of Trusts which hold investment properties in Australia and New Zealand. The units in NSPT are stapled to the shares of National Storage Holdings Limited ("NSH") to form National Storage REIT ("NSR"). NSR is quoted 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 NSH and the number of units in NSPT shall be equal and that the shareholders and unitholders be identical. The Responsible Entity of the Trust must at all times act in the best interest of NSPT. The stapling arrangement will continue until either the winding up of NSH or NSPT, or either entity terminates the stapling arrangements.

The Directors of National Storage Financial Services Limited as responsible entity of NSPT present their report together with the financial statements of National Storage Property Trust for the financial half-year ended 31 December 2023 ("Reporting Period").

DIRECTORS

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.

Andrew Catsoulis	Director
Anthony Keane	Director
Claire Fidler	Director
Howard Brenchley	Director
Inmaculada Beaumont	Director
Scott Smith	Director

PRINCIPAL ACTIVITIES

NSPT and its sub trusts hold properties in Australia and New Zealand for the purpose of earning rental returns and generating capital growth.

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 17% to \$79.3m (31 December 2022: \$67.9m) driven by increased rental income from investment properties.

The Group achieved IFRS profit after tax for the period of \$62.5m (31 December 2022: \$163.9m). Fair value adjustments to investment properties increased investment property values by \$10.1m over the period (31 December 2022: \$119.7m).

Capital management

Cash and cash equivalents as at 31 December 2023 were \$29.4m (30 June 2023: \$42.2m) with net operating cashflow for the half-year increasing by \$8.8m to \$75.1m (31 December 2022: \$66.3m).

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 of which \$23.6m was attributed to the NSPT Group.

DIRECTORS' REPORT

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.

The Group'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.

The Group 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 the Group 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 19,200m² of net lettable area to the Group's portfolio.

The Group also completed the development and expansion of new storage centres adding a further 23,500m² of net lettable area to the Group's portfolio during the reporting period. In the reporting period the Group 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 343,000m² of net lettable area in future periods.

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 NSPT Group is an entity to which the class order applies.

DIRECTORS' REPORT

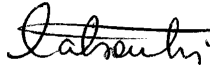
AUDITOR'S INDEPENDENCE DECLARATION

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 21 February 2024 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.



Anthony Keane
Director
National Storage Financial Services Limited
Brisbane



Andrew Catsoulis
Director
National Storage Financial Services Limited
Brisbane



**Building a better
working world**

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Auditor's independence declaration to the directors National Storage Financial Services Limited as responsible entity of National Storage Property Trust

As lead auditor for the review of the half-year financial report of National Storage Property Trust 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 Property Trust and the entities it controlled during the financial period.

Ernst & Young

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		78,824	67,789
Interest income		448	121
Total revenue		79,272	67,910
Management fees		(2,109)	(1,707)
Finance costs		(22,545)	(20,253)
Other operational expenses		(2,561)	(1,376)
Share of profit from joint venture	6	672	160
Net gain from fair value adjustments		10,122	119,696
Restructuring and other non-recurring costs		(336)	-
Foreign exchange gains		204	434
Profit before income tax		62,719	164,864
Income tax expense	4	(267)	(983)
Profit after tax		62,452	163,881
Profit for the period attributable to:			
Unitholders of National Storage Property Trust		62,452	163,881
Basic earnings per unit (cents)	14	4.60	13.57
Diluted earnings per unit (cents)	14	4.60	13.55

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 Property Trust.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December

	2023	2022
	\$'000	\$'000
Profit after tax	62,452	163,881
Other comprehensive (loss) / income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	3,065	7,905
Net (loss) / gain on cash flow hedges	(3,989)	665
Total other comprehensive (loss) / income, net of tax	(924)	8,570
Total comprehensive income	61,528	172,451
Comprehensive income for the period attributable to:		
Unitholders of National Storage Property Trust	61,528	172,451

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 Property Trust.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		29,444	42,240
Trade and other receivables		960	982
Other current assets		3,632	558
Total current assets		34,036	43,780
Non-current assets			
Investment properties	5	4,484,056	4,221,826
Investment in joint venture	6	-	2,469
Deferred tax asset		5	6
Other non-current assets		25,444	19,307
Total non-current assets		4,509,505	4,243,608
Total Assets		4,543,541	4,287,388
LIABILITIES			
Current liabilities			
Trade and other payables		166,099	138,044
Lease liabilities		918	904
Deferred revenue		74	112
Distribution payable	12	74,862	74,161
Total current liabilities		241,953	213,221
Non-current liabilities			
Borrowings	8	1,145,517	941,133
Lease liabilities		18,509	18,590
Deferred tax liabilities		6,530	6,208
Other liabilities		12,491	1,289
Total non-current liabilities		1,183,047	967,220
Total Liabilities		1,425,000	1,180,441
Net Assets		3,118,541	3,106,947
EQUITY			
Contributed equity	10	1,954,116	1,929,188
Retained earnings		1,156,031	1,168,441
Foreign currency translation reserve		1,168	(1,897)
Cashflow hedge reserve		7,226	11,215
Total Equity		3,118,541	3,106,947

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 Property Trust.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December

Attributable to unitholders of National Storage Property Trust

	Notes	Contributed equity \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Other reserves \$'000	Total \$'000
Balance at 1 July 2023		1,929,188	1,168,441	(1,897)	11,215	3,106,947
Profit for the period		-	62,452	-	-	62,452
Other comprehensive income / (loss)		-	-	3,065	(3,989)	(924)
Total comprehensive income for the period		-	62,452	3,065	(3,989)	61,528
Issue of stapled units	10	24,967	-	-	-	24,967
Costs associated with issue of units		(39)	-	-	-	(39)
Distributions	12	-	(74,862)	-	-	(74,862)
		24,928	(74,862)	-	-	(49,934)
Balance at 31 December 2023		1,954,116	1,156,031	1,168	7,226	3,118,541
Balance at 1 July 2022		1,595,013	1,025,507	(6,190)	10,636	2,624,966
Profit for the period		-	163,881	-	-	163,881
Other comprehensive income		-	-	7,905	665	8,570
Total comprehensive income for the period		-	163,881	7,905	665	172,451
Issue of stapled units	10	10,025	-	-	-	10,025
Costs associated with issue of units		(23)	-	-	-	(23)
Distributions	12	-	(66,001)	-	-	(66,001)
		10,002	(66,001)	-	-	(55,999)
Balance at 31 December 2022		1,605,015	1,123,387	1,715	11,301	2,741,418

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December

	Notes	2023 \$'000	2022 \$'000
Operating activities			
Receipts from customers		80,510	69,388
Payments to suppliers and employees		(6,103)	(3,360)
Interest received		646	225
Net cash flows from operating activities		75,053	66,253
Investing activities			
Purchase of investment properties	5	(100,199)	(171,476)
Distribution received from joint venture		3,141	-
Improvements to investment properties		(4,590)	(1,121)
Development of investment properties under construction		(115,244)	(38,963)
Net cash flows used in investing activities		(216,892)	(211,560)
Financing activities			
Distributions paid to unitholders		(48,445)	(55,355)
Transaction costs on issue of units		(39)	(23)
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		(449)	(421)
Borrowings from related parties		4,326	674
Net cash flows from financing activities		129,041	96,008
Net decrease in cash and cash equivalents		(12,798)	(49,299)
Net foreign exchange difference		2	(12)
Cash and cash equivalents at 1 July		42,240	53,715
Cash and cash equivalents at 31 December		29,444	4,404

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 Property Trust.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The Group is a Consolidated Group of Trusts which hold investment properties in Australia and New Zealand. The units in NSPT are stapled to the shares of National Storage Holdings Limited ("NSH") to form National Storage REIT ("NSR"). NSR is quoted 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. The Responsible Entity of the Trust must at all times act in the best interest of NSPT. The stapling arrangement will continue until either the winding up of NSH or NSPT, or either entity terminates the stapling arrangements.

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

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 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 NSPT financial statements for the year ended 30 June 2023 and considered together with any public announcements in accordance with the continuous disclosure obligations of the ASX listing rules made by NSR 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 \$207.9m (30 June 2023: \$169.4m).

The Group generated operating cash flows of \$75.1m for the half-year ended 31 December 2023 (31 December 2022: \$66.3m). 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 of the Responsible Entity 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 report.

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 2023.

NOTES TO THE FINANCIAL STATEMENTS

3. Segment information

The Group has identified its operating segments based on the internal management information used by the Managing Director of NSR, the Group's chief decision maker.

The Group operates wholly within one business segment being the ownership 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 to the Responsible Entity of NSPT. The Group's financing (including finance costs and finance income) is managed on a Group basis and is not allocated to operating segments.

The operating results presented in the Consolidated Statement of Profit or Loss represent the same segment information as reported in internal management information.

4. 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 (benefit) / expense	(327)	257
Deferred tax expense	594	726
Total income tax expense	267	983

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%.

NOTES TO THE FINANCIAL STATEMENTS

5. Investment properties

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Investment properties		
Investment properties in operation	4,139,002	3,952,656
Investment property under construction	345,054	269,170
Total investment properties	4,484,056	4,221,826
Investment properties in operation		
Opening balance at 1 July	3,952,656	3,588,663
Property acquisitions	100,642	136,860
Improvements to investment properties	4,590	2,638
Items reclassified from investment properties under construction	71,640	28,949
Items reclassified to investment properties under construction	(9,560)	(6,109)
Reassessment of lease terms	(22)	1,082
Lease diminution, presented as fair value adjustments	(46)	(71)
Net gain from fair value adjustments	14,903	193,277
Effect of movement in foreign exchange	4,199	7,367
Closing balance at 31 December / 30 June	4,139,002	3,952,656
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 investment properties in operation	(71,640)	(28,949)
Items reclassified from investment properties in operation	9,560	6,109
Closing balance at 31 December / 30 June	345,054	269,170

6. Interest in joint venture

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Opening balance at 1 July	2,469	2,361
Share of profit from joint venture	672	108
Distributions received from joint venture	(3,141)	-
Closing balance at 31 December / 30 June	-	2,469

The Group holds a 25% (30 June 2023: 25%) interest in the Bundall Storage Trust. This investment is classified as a joint venture 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 the trust.

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 received distributions totalling \$3.1m as a result of the transaction.

There was no change in the share of the Group's interest during the period. The Group's joint venture is not listed on any public exchange.

NOTES TO THE FINANCIAL STATEMENTS

7. Non-financial assets fair value measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2023				
Investment properties at fair value	-	-	4,139,002	4,139,002
At 30 June 2023				
Investment properties at fair value	-	-	3,952,656	3,952,656

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 levels 1 and 2 or between levels 2 and 3 for recurring fair value measurements during the current or prior period.

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 Directors' 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 Directors' 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 in operation	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

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 and the additional costs 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 2023:

Unobservable inputs	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(497,440) / 705,197
Secondary capitalisation rate	2% / (2%)	(113,153) / 221,348
Sustainable occupancy	5% / (5%)	254,050 / (157,857)
Stabilised average EBITDA	5% / (5%)	177,461 / (115,249)

At 30 June 2023:

Unobservable inputs	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(524,915) / 746,138
Secondary capitalisation rate	2% / (2%)	(94,237) / 186,433
Sustainable occupancy	5% / (5%)	256,914 / (136,278)
Stabilised average EBITDA	5% / (5%)	182,084 / (131,438)

NOTES TO THE FINANCIAL STATEMENTS

8. 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.

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 loans and 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

NOTES TO THE FINANCIAL STATEMENTS

Interest rate swaps in place at the end of the reporting period have maturity dates 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).

As at 31 December 2023, the Group had entered into interest rate swaptions with a notional value of AUD \$440.0m and \$50m NZD (AUD: \$46.4m) (30 June 2023: AUD \$40.0m and NZD \$50m (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 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).

NOTES TO THE FINANCIAL STATEMENTS

9. 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2023				
<i>Interest rate derivatives</i>				
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				
<i>Interest rate derivatives</i>				
Current financial assets	-	519	-	519
Non-current financial assets	-	19,307	-	19,307
Non-current 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).

10. Contributed equity

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Issued and paid up capital	1,954,116	1,929,188
Number of units 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
Units 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 units were issued to unitholders participating in NSR's dividend distribution plan for consideration of \$25.7m. The units were issued at the volume weighted average market price

NOTES TO THE FINANCIAL STATEMENTS

of NSR's stapled securities over a period of ten trading days, less a 2% discount (30 June 2023: 10,928,651 units for total consideration of \$25.7m).

Units issued under equity incentive plan

During the period, 254,993 units 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 units, which were issued for a deemed price of \$2.2589 per unit under the terms of the STI award. The deemed price was calculated using the volume weighted average market price of NSR's stapled securities over a 30-day trading period to 30 June 2022.

561,700 units 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 units, which were issued for a deemed price of \$2.044 per unit calculated using the volume weighted average market price of NSR'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

One unit in NSPT is stapled to one share in NSH to form a stapled security of NSR. Stapled securityholders have the right to receive declared distributions from NSPT and dividends from NSH 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 NSPT or NSH. The stapled securities have no par value. In the event of the winding up of NSPT and NSH, 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.

11. 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
		\$	\$	\$	\$
National Storage Holdings Limited	Current period	-	-	-	135,220,986
	Comparative period	-	-	-	119,177,719
National Storage (Operations) Pty Ltd	Current period	55,022,072	462,716	-	-
	Comparative period	46,506,427	293,781	-	-
Southern Cross Storage Operations Pty Ltd	Current period	9,857,555	-	-	-
	Comparative period	8,759,500	-	-	-
National Storage Financial Services Limited	Current period	-	1,332,493	-	1,991,392
	Comparative period	-	1,190,144	-	1,219,376
National Storage Limited	Current period	8,923,732	-	-	6,201,192
	Comparative period	8,004,909	-	-	8,916,844

NOTES TO THE FINANCIAL STATEMENTS

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. All outstanding balances at the year-end are unsecured. 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.

12. Distributions declared

Unit distributions

Distributions declared	31 Dec 2023	31 Dec 2022
	\$'000	\$'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

13. 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.

14. Earnings per unit

	31 Dec 2023	31 Dec 2022
	cents	cents
		(restated)
Basic earnings per unit	4.60	13.57
Diluted earnings per unit	4.60	13.55
Reconciliation of earnings used in calculating earnings per unit	\$'000	\$'000
Net profit attributable to unitholders	62,452	163,881
	No. of units	No. of units
		(restated)
Weighted average number of units 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 units for basic earnings per unit	1,357,201,498	1,207,856,431
Effects of dilution from issue of performance rights	1,422,000	1,422,000
Weighted average number of units for diluted earnings per unit	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.

NOTES TO THE FINANCIAL STATEMENTS

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

15. 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 interim financial report which require disclosure in the financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of National Storage Financial Services Limited, the Responsible Entity state that:

In the opinion of the Responsible Entity:

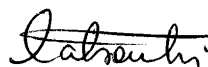
- (a) the financial statements and notes of the Group for the half-year ended 31 December 2023 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that 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 the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Responsible Entity,



Anthony Keane
Director



Andrew Catsoulis
Director

21 February 2024
Brisbane



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working world**

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

Conclusion

We have reviewed the accompanying half-year financial report of National Storage Property Trust (the Trust) 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, 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 director's 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 Responsible Entity of the Trust 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.

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

Ernst & Young

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

Wade Hansen
Partner
Brisbane
21 February 2024