



**NATIONAL STORAGE PROPERTY TRUST (NSPT)
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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

CONTENTS

| | |
|---|----|
| CORPORATE INFORMATION | 3 |
| DIRECTORS' REPORT | 4 |
| AUDITOR'S INDEPENDENCE DECLARATION | 6 |
| INTERIM STATEMENT OF PROFIT OR LOSS | 7 |
| INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME | 8 |
| INTERIM STATEMENT OF FINANCIAL POSITION | 9 |
| INTERIM STATEMENT OF CHANGES IN EQUITY | 10 |
| INTERIM STATEMENT OF CASH FLOWS | 11 |
| NOTES TO THE FINANCIAL STATEMENTS | 12 |
| DIRECTORS' DECLARATION | 21 |
| INDEPENDENT AUDITOR'S REVIEW REPORT | 22 |

CORPORATE INFORMATION

National Storage Property Trust ARSN 101 227 712 ("NSPT 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

Laurence Brindle
Andrew Catsoulis
Anthony Keane
Howard Brenchley
Steven Leigh
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

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 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 the Company or the Trust, 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 ("NSPT Group") for the financial half-year ended 31 December 2020 ("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.

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

PRINCIPAL ACTIVITIES

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

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 2020, total revenue increased by \$5.7m to \$48.8m (31 December 2019: \$43.1m) mainly attributable to rental income from acquired investment properties.

Profit after tax decreased by \$49.8m to \$100.4m (31 December 2019: \$150.2m) due to a lower valuation (fair value adjustment) uplift for the half-year when compared to the corresponding period. Fair value adjustments to investment properties increased investment property values by \$70.2m (31 December 2019: \$125.1m).

Capital management

Cash and cash equivalents as at 31 December 2020 were \$38.6m (30 June 2020: \$72.0m). Net operating cashflow for the half-year increased by \$1.4m to \$41.3m (31 December 2019: \$39.9m).

An interim distribution of 4.0 cents per security (\$40.7m) was announced on 16 December 2020 with a payment date of 1 March 2021 (31 December 2019: interim distribution of \$37m at 4.7 cents per security).

NSR continues to operate a Distribution Reinvestment Plan ("DRP") which enables eligible security holders to receive part or all of their distribution by way of securities rather than cash.

For the final distribution for the year ended 30 June 2020, 21% of eligible securityholders (by number of stapled securities) elected to receive their distributions as securities. This raised equity of \$7.1m from the issue of 3,951,000 stapled securities during the period of which \$6.5m was attributed to the NSPT Group.

DIRECTORS' REPORT

For the 31 December 2020 interim distribution, 12% of eligible security holders (by number of securities) elected to receive their distributions by way of securities. The DRP price has been set at \$1.8596 which will result in 2,641,947 new securities being issued on the distribution payment date. The impact of this will be reflected in the NSPT financial statements for the year ended 30 June 2021.

The NSPT Group is a party to NSR's finance facilities. These are on a "Club" arrangement with a selection of major Australian banks and a major Australian superannuation fund. NSR's borrowing capacity is AUD \$830m and NZD \$226.8m (AUD \$212.2m) of which AUD \$86m and NZD \$15m (AUD \$14m) is undrawn at 31 December 2020. In addition, NSR has in place a AUD \$100m facility (undrawn) with an international investment bank which is subject to satisfaction of final conditions precedent.

Investments

During the reporting period the investment property portfolio expanded following the acquisition of 17 storage centre assets and one development asset across Australia and New Zealand, valued at \$258m and adding 95,000m² of net lettable area to the NSPT Group's portfolio.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

For the period from 1 January 2021 to the date of this report the Group purchased one storage centre and one development site for a total of \$24.5m.

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.

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 6.

This report is made on 22 February 2021 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.



Laurence Brindle
Director
National Storage Financial Services Limited
Brisbane



Andrew Catsoulis
Director
National Storage Financial Services Limited
Brisbane



**Building a better
working world**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of National Storage Financial Services Limited as responsible entity of National Storage Property Trust and the entities it controlled

As lead auditor for the review of the half-year financial report of National Storage Property Trust, for the half-year ended 31 December 2020, 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; and
- b) no contraventions of 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.

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

Ernst & Young

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

Ric Roach
Partner
22 February 2021

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2020

| | Notes | Consolidated Trust | |
|--|-------|--------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Revenue from rental income | | 48,628 | 42,954 |
| Revenue from contracts with customers | | - | 38 |
| Interest income | | 203 | 113 |
| Total revenue | | 48,831 | 43,105 |
| Management fees | | (1,942) | (1,250) |
| Other expenses | | (722) | (82) |
| Finance costs | | (15,012) | (15,515) |
| Share of loss from joint venture | 6 | (33) | (30) |
| Fair value adjustments | | 70,186 | 125,055 |
| Restructuring and other non-recurring costs | | (116) | (287) |
| Profit before income tax | | 101,192 | 150,996 |
| Income tax expense | 4 | (791) | (778) |
| Profit after tax | | 100,401 | 150,218 |
| Profit for the period attributable to: | | | |
| Members of National Storage Property Trust | | 100,401 | 150,218 |
| Basic and diluted earnings per unit (cents) | 14 | 9.88 | 18.76 |

The above Interim Statement of Profit of Loss should be read in conjunction with the accompanying notes and 30 June 2020 Financial Statements of National Storage Property Trust.

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

| | Consolidated Trust | |
|---|--------------------|----------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Profit after tax | 100,401 | 150,218 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Exchange differences on translation of foreign operations | (4) | 258 |
| Net gain on cash flow hedges | 4,619 | 2,355 |
| Total other comprehensive gain, net of tax | 4,615 | 2,613 |
| Total comprehensive income | 105,016 | 152,831 |
| Comprehensive income for the period attributable to: | | |
| Members of National Storage Property Trust | 105,016 | 152,831 |

The above Interim Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes and 30 June 2020 Financial Statements of National Storage Property Trust.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | | NSPT Group | |
|--------------------------------------|-------|------------------|------------------|
| | | as at 31 Dec | as at 30 Jun |
| | | 2020 | 2020 |
| | Notes | \$'000 | \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 38,628 | 71,966 |
| Trade and other receivables | | 9,709 | 6,246 |
| Other current assets | | 43 | 12 |
| Total current assets | | 48,380 | 78,224 |
| Non-current assets | | | |
| Investment properties | 5 | 2,600,130 | 2,233,365 |
| Investment in joint venture | 6 | 976 | 1,009 |
| Other non-current assets | 9 | 38 | 19 |
| Total non-current assets | | 2,601,144 | 2,234,393 |
| Total Assets | | 2,649,524 | 2,312,617 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 7,314 | 9,644 |
| Lease liabilities | | 771 | 761 |
| Deferred revenue | | 46 | 78 |
| Income tax payable | | 261 | 260 |
| Distribution payable | 12 | 40,708 | 34,467 |
| Other liabilities | 9 | 68 | 50 |
| Total current liabilities | | 49,168 | 45,260 |
| Non-current liabilities | | | |
| Borrowings | 8 | 937,020 | 676,452 |
| Lease liabilities | | 16,206 | 16,242 |
| Income tax payable | | 66 | - |
| Deferred tax liabilities | | 3,463 | 2,697 |
| Other liabilities | 9 | 1,395 | 357 |
| Total non-current liabilities | | 958,150 | 695,748 |
| Total Liabilities | | 1,007,318 | 741,008 |
| Net Assets | | 1,642,206 | 1,571,609 |
| EQUITY | | | |
| Contributed equity | 10 | 1,272,877 | 1,266,588 |
| Foreign currency translation reserve | | (1,014) | (1,010) |
| Other reserves | | (25,119) | (29,738) |
| Retained earnings | | 395,462 | 335,769 |
| Total Equity | | 1,642,206 | 1,571,609 |

The above Interim Statement of Financial Position should be read in conjunction with the accompanying notes and 30 June 2020 Financial Statements of National Storage Property Trust.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

Attributable to unitholders of National Storage Property Trust

| | Notes | Contributed equity \$'000 | Retained earnings \$'000 | Foreign currency translation reserve \$'000 | Cash flow hedge reserve \$'000 | Total \$'000 |
|--|-------|------------------------------|-----------------------------|--|-----------------------------------|------------------|
| Balance at 1 July 2020 | | 1,266,588 | 335,769 | (1,010) | (29,738) | 1,571,609 |
| Profit for the period | | - | 100,401 | - | - | 100,401 |
| Other comprehensive income | | - | - | (4) | 4,619 | 4,615 |
| Total comprehensive income for the period | | - | 100,401 | (4) | 4,619 | 105,016 |
| Issue of stapled units | 10 | 6,472 | - | - | - | 6,472 |
| Costs associated with issue of units | | (183) | - | - | - | (183) |
| Distributions | 12 | - | (40,708) | - | - | (40,708) |
| | | 6,289 | (40,708) | - | - | (34,419) |
| Balance at 31 December 2020 | | 1,272,877 | 395,462 | (1,014) | (25,119) | 1,642,206 |
| Balance at 1 July 2019 | | 924,749 | 279,515 | 758 | (23,881) | 1,181,141 |
| Profit for the period | | - | 150,218 | - | - | 150,218 |
| Other comprehensive income | | - | - | 258 | 2,355 | 2,613 |
| Total comprehensive income for the period | | - | 150,218 | 258 | 2,355 | 152,831 |
| Issue of stapled units | 10 | 22,687 | - | - | - | 22,687 |
| Costs associated with issue of units | | (211) | - | - | - | (211) |
| Distributions | 12 | - | (37,039) | - | - | (37,039) |
| | | 22,476 | (37,039) | - | - | (14,563) |
| Balance at 31 December 2019 | | 947,225 | 392,694 | 1,016 | (21,526) | 1,319,409 |

The above Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes and 30 June 2020 Financial Statements of National Storage Property Trust.

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

| | Notes | NSPT Group | |
|---|-------|------------------|------------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Operating activities | | | |
| Receipts from customers | | 46,277 | 42,645 |
| Payments to suppliers and employees | | (5,208) | (2,794) |
| Interest received | | 222 | 26 |
| Net cash flows from operating activities | | 41,291 | 39,877 |
| Investing activities | | | |
| Purchase of investment properties | 5 | (272,210) | (193,590) |
| Improvements to investment properties | | (907) | (3,613) |
| Proceeds from sale of investment property | | - | 1,107 |
| Development of investment properties under construction | | (24,154) | (16,121) |
| Net cash flows used in investing activities | | (297,271) | (212,217) |
| Financing activities | | | |
| Proceeds from issue of units | 10 | - | 12,261 |
| Transaction costs on issue of units | | (183) | (386) |
| Distributions paid to unitholders | | (27,376) | (22,857) |
| Proceeds from borrowings | | 260,872 | 230,085 |
| Repayment of borrowings | | - | (181,400) |
| (Borrowings to) / repayment from related party | | (619) | 166,196 |
| Interest and other finance costs paid | | (10,051) | (12,681) |
| Net cash flows from financing activities | | 222,643 | 191,218 |
| Net (decrease)/ increase in cash and cash equivalents | | (33,337) | 18,878 |
| Net foreign exchange difference | | (1) | 2 |
| Cash and cash equivalents at 1 July | | 71,966 | 4,307 |
| Cash and cash equivalents at 31 December | | 38,628 | 23,187 |

The above Interim Statement of Cash Flows should be read in conjunction with the accompanying notes and 30 June 2020 Financial Statements of National Storage Property Trust.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The NSPT Group ("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 the Company or the Trust, or either entity terminates the stapling arrangements.

The financial report of NSPT Group for the half-year ended 31 December 2020 was approved on 22 February 2021, in accordance with a resolution of the Directors of National Storage Financial Services Limited.

The nature of the operations and principal activities of the NSPT 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 2020 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The accounting policies applied in this Interim Financial Report are the same as the 30 June 2020 financial statements for NSPT except for the accounting policies impacted by the new or amended Accounting Standards detailed in this note.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial report be read in conjunction with the NSPT financial statements for the year ended 30 June 2020 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 2020.

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 2020, the Group had an excess of current liabilities over current assets of \$0.8m. The Group also has other available funding facilities beyond a year of \$100m.

The 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 statements.

The accounting policies adopted in the preparation of the interim consolidated financial statements are otherwise consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

3. Segment information

The Group has identified its operating segments based on the internal management information used by the Directors of National Storage Financial Services Limited, 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 Statement of Profit and Loss represent the same segment information as reported to the Group's chief decision maker. The Group's financing (including finance costs and finance income) are managed on a Group basis and not allocated to operating segments.

94% of total revenue is received from the NSH Group, a related party.

4. Income tax

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%.

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

For the six months ended 31 December

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Consolidated statement of profit or loss | | |
| Current tax | 67 | 459 |
| Deferred tax | 724 | 319 |
| Income tax expense | <u>791</u> | <u>778</u> |
| Consolidated statement of other comprehensive income | | |
| <i>Deferred tax relating to items recognised in other comprehensive income during the period</i> | | |
| Net loss on revaluation of cash flow hedges | <u>(5)</u> | <u>(80)</u> |

NOTES TO THE FINANCIAL STATEMENTS

5. Investment properties

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|-----------------------|-----------------------|
| Investment properties | | |
| Investment properties at fair value | 2,549,723 | 2,163,784 |
| Investment property under construction at cost | 50,407 | 69,581 |
| Total investment properties | 2,600,130 | 2,233,365 |
| Investment properties at fair value | | |
| Opening balance at 1 July | 2,163,784 | 1,861,023 |
| Property acquisitions | 255,831 | 215,895 |
| Property disposals | - | (3,984) |
| Improvements to investment properties | 907 | 4,852 |
| Items reclassified from investment properties under construction | 58,801 | 17,448 |
| Items reclassified to freehold investment properties under construction | - | (4,188) |
| Reassessment of terms | 2 | - |
| Lease diminution, presented as fair value adjustments | (28) | (36) |
| Net gain from fair value adjustments | 70,214 | 78,338 |
| Effect of movement in foreign exchange | 212 | (5,564) |
| Closing balance at 31 December / 30 June | 2,549,723 | 2,163,784 |
| Investment properties under construction at cost | | |
| Opening balance at 1 July | 69,581 | 27,199 |
| Property acquisitions | 16,602 | 15,061 |
| Development costs | 22,980 | 41,087 |
| Items reclassified to investment properties | (58,801) | (17,448) |
| Items reclassified from investment properties | - | 4,188 |
| Effect of movement in foreign exchange | 45 | (506) |
| Closing balance at 31 December / 30 June | 50,407 | 69,581 |

In the period ended 30 June 2020, included within net gain from fair value adjustments for freehold investment properties is realised gains of \$3m relating to the divestment of freehold investment properties.

6. Interest in joint venture

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|-----------------------|-----------------------|
| Opening balance at 1 July | 1,009 | 1,080 |
| Share of loss from joint venture | (33) | (71) |
| Closing balance at 31 December / 30 June | 976 | 1,009 |

The Group holds a 25% (30 June 2020: 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.

The Bundall Storage Trust develops investment property. As at 31 December 2020, the Bundall Storage Trust has one storage centre investment property asset under construction.

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 2020 | | | | |
| Investment properties at fair value | - | - | 2,549,723 | 2,549,723 |
| At 30 June 2020 | | | | |
| Investment properties at fair value | - | - | 2,163,784 | 2,163,784 |

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 ending 31 December 2020 or the year ended 30 June 2020.

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 unless the underlying financing requires a more frequent valuation.

For properties subject to an independent valuation report the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Directors' valuations are completed by the NSH Group Board (a related entity). The Directors of the Responsible Entity place reliance on these valuations for the Group financial statements. 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 2020 have been held at acquisition price.

Due to general market and economic uncertainty in relation to COVID-19, there is a heightened degree of valuation uncertainty which could cause property values to change significantly and unexpectedly over a short period of time. However, the financial impact of COVID-19 on the Group's business has been minimal to date and the Group considers that there continues to be a strong demand for storage rental as evidenced by NSR's strong and steady occupancy levels which underpin the operating results.

At 31 December 2020, the Group held 39% of investment properties at external valuation (30 June 2020: 33% of investment properties).

Valuation inputs and relationship to fair value

| Description | Valuation technique | Significant unobservable inputs | Range at 31 December 2020 | Range at 30 June 2020 |
|-----------------------|-----------------------|---------------------------------|---------------------------|-----------------------|
| Investment properties | Capitalisation method | Primary capitalisation rate | 5.0% to 7.3% | 5.5% to 8.2% |
| | | Secondary capitalisation rate | 5.5% to 8.6% | 6.0% to 8.6% |
| | | Sustainable occupancy | 73% to 95% | 73% to 95% |
| | | Stabilised average EBITDA | \$926,319 | \$923,427 |

NOTES TO THE FINANCIAL STATEMENTS

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

The capitalisation rates are derived from recent sales of similar properties. The secondary capitalisation rate is typically higher than the primary capitalisation rate to reflect the additional risk associated with 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 2020:

| | Increase/(decrease) in input | Increase/(decrease) in fair value \$'000 |
|-------------------------------|---------------------------------|--|
| Unobservable inputs | | |
| Primary capitalisation rate | 1% / (1%) | (285,070) / 398,040 |
| Secondary capitalisation rate | 2% / (2%) | (125,070) / 231,160 |
| Sustainable occupancy | 5% / (5%) | 159,650 / (103,580) |
| Stabilised average EBITDA | 5% / (5%) | 116,900 / (104,820) |

At 30 June 2020:

| | Increase/(decrease) in input | Increase/(decrease) in fair value \$'000 |
|-------------------------------|---------------------------------|--|
| Unobservable inputs | | |
| Primary capitalisation rate | 1% / (1%) | (226,290) / 311,570 |
| Secondary capitalisation rate | 2% / (2%) | (123,160) / 218,030 |
| Sustainable occupancy | 5% / (5%) | 119,620 / (107,750) |
| Stabilised average EBITDA | 5% / (5%) | 99,000 / (95,190) |

NOTES TO THE FINANCIAL STATEMENTS

8. Borrowings

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|-------------------------------|-----------------------|-----------------------|
| Non-current borrowings | | |
| Bank finance facilities | 940,939 | 679,813 |
| Non-amortised borrowing costs | (3,919) | (3,361) |
| Total borrowings | 937,020 | 676,452 |

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 2020 \$'000 | 30 Jun 2020 \$'000 |
|---|-----------------------|-----------------------|
| Bank finance facilities (AUD) | | |
| Drawn amount | 742,750 | 483,750 |
| Facility limit | 830,000 | 830,000 |
| Bank finance facilities (NZD) | | |
| Drawn amount | 211,750 | 209,750 |
| Facility limit | 226,750 | 226,750 |
| AUD equivalent of NZD facilities | | |
| Drawn amount | 198,189 | 196,063 |
| Facility limit | 212,229 | 211,954 |

The major terms of these agreements are as follows:

- At 31 December 2020, maturity dates on these facilities range from 23 July 2022 to 23 December 2026. (30 June 2020: maturity dates from 23 July 2021 to 23 December 2026).
- All facilities are interest only with any drawn balance payable at maturity.
- The interest rate applied is the bank bill rate plus a margin.
- Security has been granted over the Group's investment properties.

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 swaps

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

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|--|-----------------------|-----------------------|
| Interest rate swaps (AUD) | | |
| Current interest rate swaps | 385,000 | 460,000 |
| Future interest rate swaps | - | 25,000 |
| Interest rate swaps (NZD) | | |
| Current interest rate swaps | 50,000 | 50,000 |
| AUD equivalent of NZD interest rate swaps | | |
| Current interest rate swaps | 46,798 | 46,737 |

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2020 | | | | |
| <i>Derivative used for hedging - interest rate swaps</i> | | | | |
| Current assets | - | 8 | - | 8 |
| Current financial liabilities | - | (68) | - | (68) |
| Non-current financial liabilities | - | (1,395) | - | (1,395) |
| | - | (1,455) | - | (1,455) |
| At 30 June 2020 | | | | |
| <i>Derivative used for hedging - interest rate swaps</i> | | | | |
| Non-current financial assets | - | 19 | - | 19 |
| Current financial liabilities | - | (50) | - | (50) |
| Non-current financial liabilities | - | (357) | - | (357) |
| | - | (388) | - | (388) |

There were no transfers between levels of fair value hierarchy during the period ended 31 December 2020. (30 June 2020: \$nil)

10. Contributed equity

| | 31 Dec 2020 \$'000 | 30 Jun 2020 \$'000 |
|-------------------------------------|----------------------------|----------------------------|
| Issued and paid up capital | 1,272,877 | 1,266,588 |
| Number of units on Issue | 31 Dec 2020 No. | 30 Jun 2020 No. |
| Opening balance at 1 July | 1,013,740,898 | 673,928,751 |
| Institutional and retail placements | - | 329,205,527 |
| Distribution reinvestment plan | 3,951,000 | 10,606,620 |
| Closing balance | 1,017,691,898 | 1,013,740,898 |

Distribution reinvestment plan

During the period 3,951,000 stapled securities were issued to securityholders participating in NSR's DRP for consideration of \$7.1m of which \$6.5m was attributed to the Group. The stapled securities were issued at the volume weighted average market price of NSR's stapled securities over a period of ten trading days, less a 2% discount. (30 June 2020, a total of 10,606,620 were issued for total consideration of \$19.7m of which \$17.9m was attributable to the Group).

NOTES TO THE FINANCIAL STATEMENTS

Capital raise

In the prior year ending 30 June 2020, NSR raised a total of \$361.9m of equity resulting in the issue of 329,205,527 new stapled securities of which \$330.2m was attributable to the Group.

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 2020 and 31 December 2019, as well as outstanding balances with related parties as at 31 December 2020 and 30 June 2020.

| Transaction with related parties | | Revenue | Purchases | Amount | Amount |
|---|--------------------|----------------------|----------------------|-------------------------|-------------------------|
| | | from related parties | from related parties | owed by related parties | owed to related parties |
| | | \$ | \$ | \$ | \$ |
| National Storage Holdings Limited | Current period | - | - | 4,091,190 | - |
| | Comparative period | - | - | - | 1,657,492 |
| National Storage (Operations) Pty Ltd | Current period | 33,597,598 | 657,744 | - | - |
| | Comparative period | 28,463,893 | 251,667 | - | 577,125 |
| Southern Cross Storage Operations Pty Ltd | Current period | 7,224,500 | - | - | - |
| | Comparative period | 7,219,500 | - | - | - |
| National Storage Financial Services Limited | Current period | - | 1,035,336 | - | 1,293,560 |
| | Comparative period | - | 882,649 | - | 592,501 |
| National Storage Limited | Current period | 5,045,640 | - | - | 158,097 |
| | Comparative period | 4,942,906 | - | 5,666,426 | - |

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 2020 and 30 June 2020, 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 2020 \$'000 | 31 Dec 2019 \$'000 |
|--|-----------------------|-----------------------|
| NSPT interim distribution of 4.0 cents per unit payable on 1 March 2021 (28 February 2020: 4.7 cents per unit) | 40,708 | 37,039 |

NOTES TO THE FINANCIAL STATEMENTS

13. Commitments and contingencies

Capital commitments

As at 31 December 2020, the Group held commitments to purchase seven storage centres and two development sites for \$97.9m.

As at 31 December 2020, the Group has contractual commitments in place for the construction of self-storage centres of NZD \$57.7m (AUD \$54.0m) in New Zealand. (see note 5).

As at 31 December 2020, the Group held a commitment with a third party, to supply and install solar panels on a number of NSR storage centres with additional expenditure of \$0.6m, to be paid on agreed milestones subject to the completion of the project.

There are no other contingent assets or liabilities for the Group.

14. Earnings per unit

| | 31 Dec 2020 cents | 31 Dec 2019 cents |
|---|----------------------|----------------------|
| Basic and diluted earnings per unit | 9.88 | 18.76 |
| Reconciliation of earnings used in calculating earnings per unit | | |
| <i>Basic and diluted earnings per unit</i> | \$'000 | \$'000 |
| Net profit attributable to members | 100,401 | 150,218 |
| | No. of units | No. of units |
| Weighted average number of units on issue during the period | 1,016,231,746 | 784,372,664 |
| Adjustment under AASB 133 to reflect discount to market price on issue of new capital | 77,153 | 16,277,229 |
| Weighted average number of units for basic and diluted earnings per unit | 1,016,308,899 | 800,649,893 |

As required by AASB 133 *Earnings per share*, for issues of capital during the periods ended 31 December 2020 and 31 December 2019, the weighted average number of securities on issue used to calculate statutory basic and diluted earnings per unit 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.

15. Events after reporting period

For the period from 1 January 2021 to the date of this report the Group purchased one storage centre and one development site for a total of \$24.5m.

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 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 2020 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 2020 and of its performance for the half-year ended on that date; and
 - b. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Responsible Entity,



Laurence Brindle
Director



Andrew Catsoulis
Director

22 February 2021
Brisbane



**Building a better
working world**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Review Report to the Members of National Storage Property Trust

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of National Storage Property Trust and the entities it controlled (the Group) during the half-year, which comprises the interim statement of financial position as at 31 December 2020, the interim statement of profit or loss, the interim statement of other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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*.

Emphasis of Matter - Investment Property Fair Value

We draw attention to Note 7 of the financial report which describes the impact of the COVID-19 pandemic on the determination of fair value of the investment properties and how this has been considered by the Directors in the preparation of the financial report. Due to the heightened degree of valuation uncertainty, the property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Group 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations*



2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Ernst & Young

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

Ric Roach
Partner
Brisbane
22 February 2021