



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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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

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CORPORATE INFORMATION

National Storage 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 Brechley
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 2021 ("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 2021, total revenue increased by \$4.2m to \$53m (31 December 2020: \$48.8m) mainly attributable to rental income from acquired investment properties.

Profit after tax increased by \$165.8m to \$266.2m (31 December 2020: \$100.4m) due to a higher 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 \$234.2m (31 December 2020: \$70.2m).

Capital management

Cash and cash equivalents as at 31 December 2021 were \$28.6m (30 June 2021: \$22.4m) with net operating cashflow for the half-year increasing by \$2.3m to \$43.6m (31 December 2020: \$41.3m).

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

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

For the final distribution for the year ended 30 June 2021, approximately 23% of eligible securityholders (by number of stapled securities) elected to receive their distributions as securities. This raised equity of \$11.5m from the issue of 5,221,403 stapled securities during the period of which \$10.6m was attributed to the NSPT Group.

DIRECTORS' REPORT

For the 31 December 2021 interim distribution, 29.5% of eligible security holders (by number of securities) elected to receive their distributions by way of securities. The DRP price has been set at \$2.4107 based upon the volume weighted average market price of NSR stapled securities over a period of 10 trading days, from the 8 February 2022, less a 2% discount. The impact of this will be reflected in the NSPT financial statements for the year ended 30 June 2022.

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

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

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

The Group's borrowing capacity at 31 December 2021 is AUD \$875m and NZD \$325m (AUD \$305m) of which AUD \$317m and NZD \$53.2m (AUD \$50.1m) is undrawn at 31 December 2021.

Investments

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

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

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

ROUNDING

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

DIRECTORS' REPORT

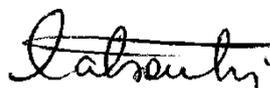
AUDITOR'S INDEPENDENCE DECLARATION

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 24 February 2022 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**

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Auditor's independence declaration to the directors of 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 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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
24 February 2022

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2021

		2021 \$'000	2020 \$'000
	Notes		
Revenue from rental income		52,961	48,628
Interest income		24	203
Total revenue		52,985	48,831
Management fees		(2,264)	(1,942)
Other expenses		(872)	(722)
Finance costs		(14,482)	(15,012)
Share of profit / (loss) from joint ventures	6	488	(33)
Gains from fair value adjustments		234,183	70,186
Restructuring and other non-recurring costs		(3,583)	(116)
Profit before income tax		266,455	101,192
Income tax expense	4	(241)	(791)
Profit after tax		266,214	100,401
Profit for the period attributable to:			
Members of National Storage Property Trust		266,214	100,401
Basic earnings per unit (cents)	14	22.43	9.83
Diluted earnings per unit (cents)	14	22.40	9.83

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

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	2021 \$'000	2020 \$'000
Profit after tax	266,214	100,401
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	1,087	(4)
Net gain on cash flow hedges	9,479	4,619
Total other comprehensive gain, net of tax	10,566	4,615
Total comprehensive income	276,780	105,016
Comprehensive income for the period attributable to:		
Members of National Storage Property Trust	276,780	105,016

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	as at 31 Dec 2021 \$'000	as at 30 Jun 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		28,625	22,379
Trade and other receivables		3,439	17,150
Other current assets		84	81
Total current assets		32,148	39,610
Non-current assets			
Investment properties	5	3,226,444	2,896,167
Investment in joint venture	6	2,779	2,291
Deferred tax assets		205	-
Other non-current assets	9	7,354	2,397
Total non-current assets		3,236,782	2,900,855
Total Assets		3,268,930	2,940,465
LIABILITIES			
Current liabilities			
Trade and other payables		45,201	10,078
Borrowings	8	188,293	-
Lease liabilities		786	780
Deferred revenue		3	30
Income tax payable		137	135
Distribution payable	12	54,685	49,689
Other liabilities	9	-	22
Total current liabilities		289,105	60,734
Non-current liabilities			
Borrowings	8	623,209	756,800
Lease liabilities		16,118	16,166
Deferred tax liabilities		4,592	4,107
Other liabilities	9	-	103
Total non-current liabilities		643,919	777,176
Total Liabilities		933,024	837,910
Net Assets		2,335,906	2,102,555
EQUITY			
Contributed equity	10	1,580,120	1,568,864
Foreign currency translation reserve		(417)	(1,504)
Other reserves		(6,678)	(16,157)
Retained earnings		762,881	551,352
Total Equity		2,335,906	2,102,555

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

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

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 2021		1,568,864	551,352	(1,504)	(16,157)	2,102,555
Profit for the period		-	266,214	-	-	266,214
Other comprehensive income		-	-	1,087	9,479	10,566
Total comprehensive income for the period		-	266,214	1,087	9,479	276,780
Issue of stapled units	10	11,494	-	-	-	11,494
Costs associated with issue of units		(238)	-	-	-	(238)
Distributions	12	-	(54,685)	-	-	(54,685)
		11,256	(54,685)	-	-	(43,429)
Balance at 31 December 2021		1,580,120	762,881	(417)	(6,678)	2,335,906
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 / (loss)		-	-	(4)	4,619	4,615
Total comprehensive income / (loss) 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

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

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
Operating activities			
Receipts from customers		51,764	46,277
Payments to suppliers and employees		(8,161)	(5,208)
Interest received		24	222
Net cash flows from operating activities		43,627	41,291
Investing activities			
Purchase of investment properties	5	(65,610)	(272,210)
Improvements to investment properties		(239)	(907)
Development of investment properties under construction		(26,679)	(24,154)
Net cash flows used in investing activities		(92,528)	(297,271)
Financing activities			
Transaction costs on issue of units		(238)	(183)
Distributions paid to unitholders		(38,241)	(27,376)
Proceeds from borrowings		844,535	260,872
Repayment of borrowings		(793,179)	-
Borrowings from / (repayment to) related party		54,557	(619)
Payment of principal and interest on lease liabilities		(387)	(381)
Interest and other finance costs paid		(11,882)	(9,670)
Net cash flows from financing activities		55,165	222,643
Net increase /(decrease) in cash and cash equivalents		6,264	(33,337)
Net foreign exchange difference		(18)	(1)
Cash and cash equivalents at 1 July		22,379	71,966
Cash and cash equivalents at 31 December		28,625	38,628

The above Interim Statement of Cash Flows should be read in conjunction with the accompanying notes and 30 June 2021 Financial Statements of National Storage 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 2021 was approved on 24 February 2022, 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 2021 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 2021 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 2021 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 2021.

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

Deficiency of net current assets

As at 31 December 2021, the Group had an excess of current liabilities over current assets of \$257m. \$188.3m of this deficit relates to borrowings with maturity dates of less than one year. The Group has undrawn facilities of \$267m with tenor of over one year which is in excess of the net current asset deficiency. The Group is currently at an advanced stage of the refinance of these short-term arrangements and expects to conclude this process in advance of the financial year end.

In addition, the Group has payables of \$38.5m due to National Storage Holdings (a related party entity) which are not expected to fall due within the period. The Group generated strong operating cash flows of \$43.6m for the year ended 31 December 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

For the six months ended 31 December

	2021 \$'000	2020 \$'000
Consolidated statement of profit or loss		
Current tax	(413)	67
Deferred tax	654	724
Income tax expense	<u>241</u>	<u>791</u>
Consolidated statement of other comprehensive income		
<i>Deferred tax relating to items recognised in other comprehensive income during the period</i>		
Net gain / (loss) on revaluation of cash flow hedges	<u>3</u>	<u>(5)</u>

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 2021 \$'000	30 Jun 2021 \$'000
Investment properties		
Investment properties in operation	3,096,101	2,812,374
Investment property under construction	130,343	83,793
Total investment properties	3,226,444	2,896,167
Investment properties in operation		
Opening balance at 1 July	2,812,374	2,163,784
Property acquisitions	46,181	336,908
Improvements to investment properties	239	1,479
Items reclassified from investment properties under construction	-	67,894
Reassessment of terms	(5)	2
Lease diminution, presented as fair value adjustments	(38)	(58)
Net gain from fair value adjustments	234,221	243,518
Effect of movement in foreign exchange	3,129	(1,153)
Closing balance at 31 December / 30 June	3,096,101	2,812,374
Investment properties under construction		
Opening balance at 1 July	83,793	69,581
Property acquisitions	19,229	36,184
Development costs	26,731	46,060
Items reclassified to investment properties in operation	-	(67,894)
Effect of movement in foreign exchange	590	(138)
Closing balance at 31 December / 30 June	130,343	83,793

6. Interest in joint venture

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Opening balance at 1 July	2,291	1,009
Share of profit from joint venture*	488	1,282
Closing balance at 31 December / 30 June	2,779	2,291

*Included within share of profit from joint ventures is \$550,000 representing the NSPT Group's share of fair value gains related to investment properties held by joint ventures (31 Dec 2020: \$nil).

The Group holds a 25% (30 June 2021: 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 2021, the Bundall Storage Trust had one storage centre investment property.

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 2021				
Investment properties at fair value	-	-	3,096,101	3,096,101
At 30 June 2021				
Investment properties at fair value	-	-	2,812,374	2,812,374

Recognised fair value measurements

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

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 2021 have been held at acquisition price.

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

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

Valuation inputs and relationship to fair value

Description	Significant unobservable inputs	Range at 31 Dec 2021	Range at 30 Jun 2021
Investment properties in operation	Primary capitalisation rate	4.8% to 7.3%	5.0% to 7.0%
	Secondary capitalisation rate	5.3% to 8.5%	6.0% to 8.0%
	Weighted average primary cap rate	5.8%	5.9%
	Weighted average secondary cap rate	6.4%	6.4%
	Sustainable occupancy	75% to 96%	75% to 98%
	Stabilised average EBITDA	\$1,017,225	\$963,839

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 2021:

Unobservable inputs	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(399,854) / 569,136
Secondary capitalisation rate	2% / (2%)	(71,219) / 135,344
Sustainable occupancy	5% / (5%)	182,513 / (41,844)
Stabilised average EBITDA	5% / (5%)	136,055 / (103,009)

At 30 June 2021:

Unobservable inputs	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(352,120) / 500,170
Secondary capitalisation rate	2% / (2%)	(96,400) / 180,310
Sustainable occupancy	5% / (5%)	169,010 / (73,120)
Stabilised average EBITDA	5% / (5%)	130,030 / (77,740)

NOTES TO THE FINANCIAL STATEMENTS

8. Borrowings

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current borrowings		
Bank finance facilities	188,293	-
Total current borrowings	<u>188,293</u>	<u>-</u>
Non-current borrowings		
Bank finance facilities	625,550	760,093
Non-amortised borrowing costs	(2,341)	(3,293)
Total non-current borrowings	<u>623,209</u>	<u>756,800</u>
Total borrowings	<u>811,502</u>	<u>756,800</u>

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

Drawn amounts and facility limits are as follows:

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Bank finance facilities (AUD)		
Drawn amount	558,000	546,750
Facility limit	<u>875,000</u>	<u>930,000</u>
Bank finance facilities (NZD)		
Drawn amount	271,750	229,150
Facility limit	<u>325,000</u>	<u>251,750</u>
AUD equivalent of NZD facilities		
Drawn amount	255,844	213,343
Facility limit	<u>305,977</u>	<u>234,384</u>

The major terms of these agreements are as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Interest rate swaps

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

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

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 2021				
<i>Derivative used for hedging - interest rate swaps</i>				
Current financial assets	-	25	-	25
Non-current financial assets	-	7,354	-	7,354
	-	7,379	-	7,379
At 30 June 2021				
<i>Derivative used for hedging - interest rate swaps</i>				
Current financial assets	-	11	-	11
Non-current financial assets	-	2,397	-	2,397
Current financial liabilities	-	(22)	-	(22)
Non-current financial liabilities	-	(103)	-	(103)
	-	2,283	-	2,283

There were no transfers between levels of fair value hierarchy during the period ended 31 December 2021. (30 June 2021: \$nil)

10. Contributed equity

31 Dec 2021 \$'000	30 Jun 2021 \$'000
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NOTES TO THE FINANCIAL STATEMENTS

Issued and paid up capital	<u>1,580,120</u>	<u>1,568,864</u>
Number of units on Issue	31 Dec 2021	30 Jun 2021
	No.	No.
Opening balance at 1 July	1,183,070,060	1,013,740,898
Institutional and retail placements	-	162,736,215
Distribution reinvestment plan	5,221,403	6,592,947
Closing balance	<u>1,188,291,463</u>	<u>1,183,070,060</u>

Distribution reinvestment plan

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

Capital raise

In the prior period, on 8 June 2021, the Group announced a fully underwritten \$325m equity raising. This resulted in the issue of 137,037,814 new stapled securities on 23 June 2021 and 25,698,401 new stapled securities on 30 June 2021. The issue price represented a discount of 3.8% on the last closing price of NSR stapled securities on 7 June 2021.

Terms and conditions of contributed equity

Stapled securities

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

NOTES TO THE FINANCIAL STATEMENTS

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

Transaction with related parties		Revenue	Purchases	Amount	Amount
		from related parties	from related parties	owed by related parties	owed to related parties
		\$	\$	\$	\$
National Storage Holdings Limited	Current period	-	-	-	38,540,113
	Comparative period	-	-	15,971,809	-
National Storage (Operations) Pty Ltd	Current period	37,592,918	814,744	-	-
	Comparative period	33,597,598	657,744	3,345	-
Southern Cross Storage Operations Pty Ltd	Current period	7,507,000	-	-	-
	Comparative period	7,224,500	-	-	-
National Storage Financial Services Limited	Current period	-	1,216,418	-	1,363,831
	Comparative period	-	1,035,336	-	643,190
National Storage Limited	Current period	4,594,712	-	2,457,449	-
	Comparative period	5,045,640	-	-	2,779,019

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 2021 and 30 June 2021, 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 2021 \$'000	31 Dec 2020 \$'000
NSPT interim distribution of 4.6 cents per unit payable on 1 March 2022 (1 March 2021: 4.0 cents per unit)	54,685	40,708

13. Commitments and contingencies

Capital commitments

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

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

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 2021 cents	31 Dec 2020 cents (adjusted)
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NOTES TO THE FINANCIAL STATEMENTS

Basic earnings per unit	22.43	9.83
Diluted earnings per unit	22.40	9.83

Reconciliation of earnings used in calculating earnings per unit

	\$'000	\$'000
Net profit attributable to members	266,214	100,401
	No. of units	No. of units
Weighted average number of units on issue during the period	1,186,585,992	1,016,231,746
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	398,407	5,085,765
Weighted average number of units for basic earnings per unit	1,186,984,399	1,021,317,511
Effects of dilution from issue of performance rights and restricted securities	1,217,959	-
Weighted average number of securities for diluted earnings per stapled security	1,188,202,358	1,021,317,511

As required by AASB 133 *Earnings per share*, for issues of capital during the periods ended 31 December 2021 and 31 December 2020, the weighted average number of securities on issue used to calculate statutory basic and diluted earnings per 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.

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

15. Events after reporting period

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

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of National Storage 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 2021 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 2021 and of its performance for the half-year ended on that date; and
 - b. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that 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

24 February 2022
Brisbane



Andrew Catsoulis
Director



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

Based on our review, which is not an audit, 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 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Directors' responsibilities for the half-year financial report

The directors of the 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 2021 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
24 February 2022