

ANNUAL REPORT

2023

**NATIONAL
STORAGE**

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Important
INFORMATION

ABOUT THIS REPORT

Welcome to National Storage REIT's 2023 Annual Report which reports our performance for the financial year 1 July 2022 – 30 June 2023.

THE 2023 REPORTING SUITE INCLUDES:

Annual Report – a review of FY23 performance, strategy and governance.

Financial Report – FY23 financial accounts and detailed financial performance.

All of NSR's reporting is available online at nationalstorageinvest.com.au.

Sustainability Report – outlines NSR's approach to sustainability. The 2023 Sustainability Report will be released prior to National Storage REIT's AGM and will be available online at nationalstorageinvest.com.au at that time.

ENTITIES

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

RESPONSIBLE ENTITY OF NSPT

National Storage Financial Services Limited (NSFL)
ACN 600 787 246 AFSL 475 228
Level 16, 1 Eagle Street, Brisbane QLD 4000

DISCLAIMER

This is the Annual Report for National Storage REIT which comprises the combined assets and operations of National Storage Holdings Limited (ACN 166 572 845) ("NSH") and the National Storage Property Trust (ARSN 101 227 712) ("NSPT"). This report has been prepared by NSH and NSFL (ACN 600 787 246 AFSL 475 228) as responsible entity for NSPT. National Storage REIT (ASX: NSR) currently has stapled securities on issue on the Australian Securities Exchange ("ASX") each comprising one unit in NSPT and one ordinary share in NSH ("Stapled Securities").

The information contained in this report should not be taken as financial product advice and has been prepared as general information only without consideration of your particular investment objectives, financial circumstances or particular needs. This report is not an invitation, offer or recommendation (express or implied) to apply for or purchase or take any other action in respect of Stapled Securities.

This report contains forward looking statements and forecasts, including statements regarding future earnings and distributions. These forward looking statements and forecasts are not guarantees of future

performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NSH and/or NSFL, and which may cause actual results or performance to differ materially from those expressed or implied by the forward looking statements and forecasts contained in this report.

No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward looking statements and forecasts may be based are reasonable. These forward looking statements and forecasts are based on information available to NSH and/or NSFL as of the date of this report. Except as required by law or regulation (including the ASX Listing Rules) each of NSH and NSFL undertake no obligation to update or revise these forward looking statements or forecasts.

Certain financial information in this report is prepared on a different basis to the Financial Report, which is prepared in accordance with Australian Accounting Standards. Any additional financial information in this report which is not included in the Financial Report was not subject to independent audit or review by Ernst & Young.

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Our BUSINESS

National Storage is Australasia's largest self-storage provider, tailoring self-storage solutions to approximately 90,000 residential and commercial customers at more than 230 storage centres across Australia and New Zealand. National Storage REIT is the only publicly listed, pure play, fully integrated, internally managed, owner and operator of self-storage centres in Australasia. The National Storage offering spans self-storage, business storage, climate-controlled wine storage and trading, vehicle storage, vehicle and trailer hire, packaging supplies and insurance. In addition to the traditional self-storage offering, National Storage provides value-add services for businesses including receipt and dispatch, corporate account management, forklifts and pallet jacks, and versatile, adaptable spaces to suit customers' needs. Each National Storage centre reflects our commitment to quality, convenience and service. At National Storage, you can expect secure, clean and modern premises and a team of professionals trained in the exacting task of providing efficient storage.

"APPROXIMATELY
90,000 RESIDENTIAL
AND COMMERCIAL
CUSTOMERS AND
OVER 230 STORAGE
CENTRES ACROSS
AUSTRALIA AND
NEW ZEALAND."

FY23 PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

\$330.0m Total Revenue FY22: \$278.9m ↑ 18%	\$320.4m IFRS Profit FY22: \$620.6m ↓ 48%	\$141.8m Underlying Earnings ¹ FY22: \$126.5m ↑ 12%	11.5cps Underlying Earnings per Stapled Security FY22: 10.6cps ↑ 8.5%	11.0cps Distribution per Stapled Security FY22: 10.0cps ↑ 10%	\$4.29b Investment ³ Properties FY22: \$3.73b ↑ 15%
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OPERATIONAL HIGHLIGHTS

234 Number of Centres (30 June 2023) FY22: 226 ↑ 8	1,280,000 Square Metres of Net Lettable Area FY22: 1,180,000 ↑ 8%	85% Group ² Occupancy FY22: 88.5% ↓ 3.5%	\$270 Group ² Revenue per Available Metre FY22: \$260 ↑ 3.6%	66% Operating Margin FY22: 64% ↑ 2%	660 Employees FY22: 616 ↑ 7%
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CAPITAL STRENGTH

\$4.6b Total Asset Value FY22: \$4.1b ↑ 13%	20% Gearing FY22: 23% ↓ 3%	3.5yrs Weighted Average Debt Tenor FY22: 3.3yrs ↑ 0.2	\$2.48 Net Tangible Assets per Stapled Security FY22: \$2.34 ↑ 6%	- Underlying earnings is a non-IFRS measure (unaudited) - Group – Australia and New Zealand (195 centres) - Australia – 169 centres as at 30 June 2021 (excluding Wine Ark, managed centres and let-up centres) - New Zealand – 26 centres as at 30 June 2022 (excluding Wine Ark and managed centres) - Net of lease liability
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SPRINGFIELD, QLD

NSR VISION & MISSION

OUR VISION: To be a world leader in the provision of innovative and sustainable self-storage solutions

OUR MISSION: United as one team, we commit to consistently and responsibly deliver on our four pillars of strategic growth

NSR FOUR PILLARS

ORGANIC GROWTH

Optimising occupancy and rate growth on an individual centre basis, combined with prudent cost management



ACQUISITIONS, DEVELOPMENTS & EXPANSIONS

Market leading opportunities in combination with delivery capabilities to drive sustained growth



TECHNOLOGY & AUTOMATION

Leadership in development and implementation of innovative technology and automation



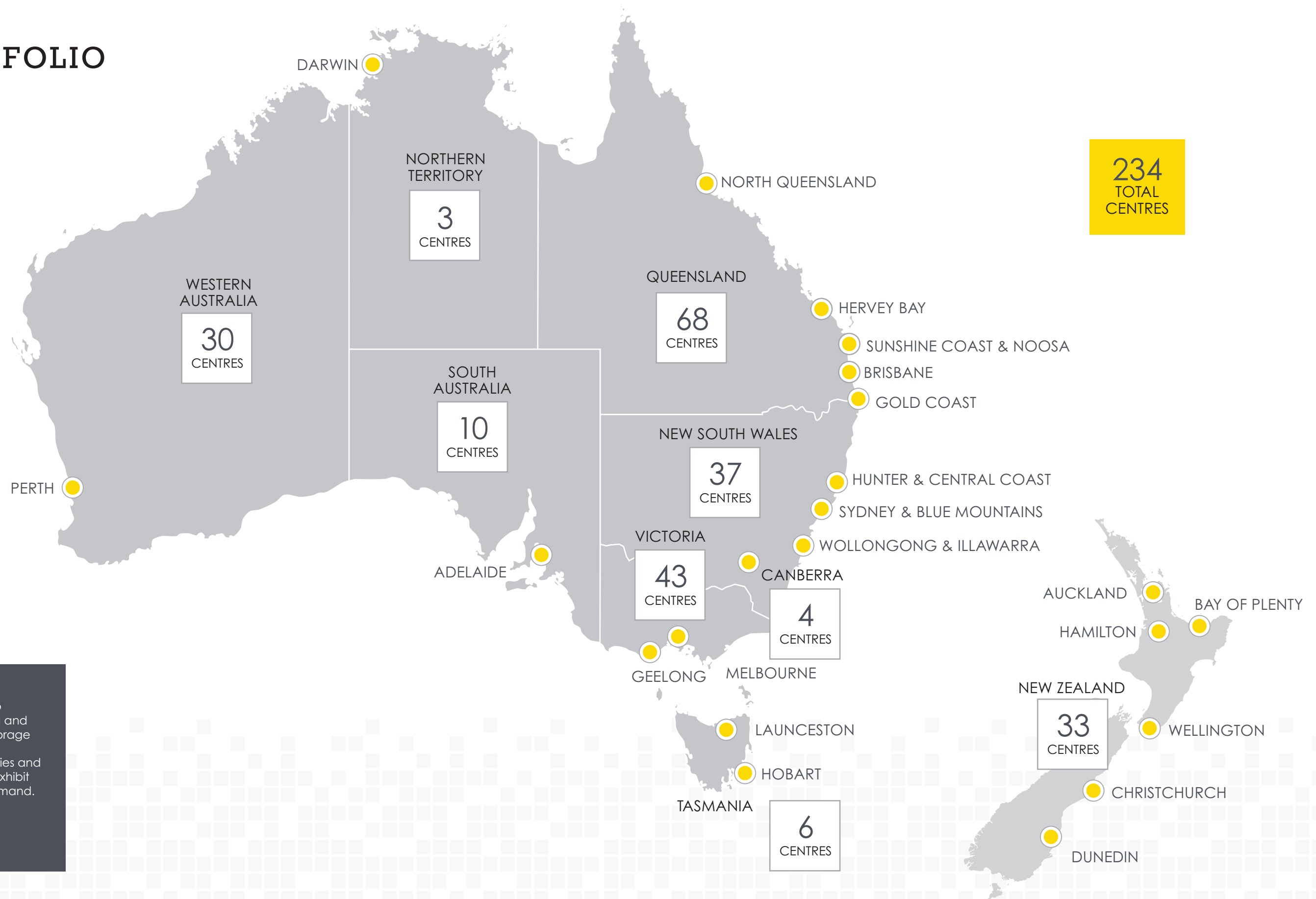
SUSTAINABILITY

Instilling trust and confidence that we are building a resilient and sustainable business for our stakeholders



NSR PORTFOLIO

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The National Storage portfolio continues to grow across Australia and New Zealand with storage centres conveniently located in capital cities and regional areas that exhibit drivers of storage demand.

As at 30 June 2023.

*Map not to scale.

Portfolio STATISTICS - JUNE 2023

AUSTRALIAN PORTFOLIO BY NLA		
REGION	CENTRES	NLA
Brisbane	32	198,500
Gold Coast	15	84,800
Sunshine Coast	11	60,900
North Queensland	10	54,100
Sydney	21	107,200
Central Coast (NSW)	11	53,600
Wollongong	4	25,300
Canberra	4	33,000
Albury	2	10,600
Melbourne	38	196,800
Geelong	4	16,400
Adelaide	10	54,100
Perth	30	162,200
Tasmania	6	23,000
Darwin	3	17,000
TOTAL	201	1,097,500

NEW ZEALAND PORTFOLIO BY NLA		
REGION	CENTRES	NLA
Auckland	8	61,450
Hamilton	5	19,790
Wellington	8	45,110
Christchurch	6	22,520
Dunedin	2	17,420
Regional	4	15,920
TOTAL	33	182,200

PORTFOLIO COMPOSITION	
Freehold	221
Leasehold	12
Managed	1
TOTAL	234

PORTFOLIO VALUATION	
TOTAL VALUATION (AUS \$BILLION): \$4.29b	WEIGHTED AVERAGE PRIMARY CAP RATE: 5.91%

VALUATION					
STATE	CENTRES	NLA	%	\$M	%
QLD	68	398,300	31	1,293	30
VIC	44	223,800	17	919	21
NSW	36	186,100	15	627	15
NZ	33	182,200	14	475	11
WA	30	162,200	13	518	12
SA	10	54,100	4	176	4
TAS	6	23,000	2	80	2
ACT	4	33,000	3	152	4
NT	3	17,000	1	46	1
TOTAL	234	1,279,700	100%	4,285	100%

Exchange Rate: 1.087

MOOROOKA, QLD

Chairman & Managing Directors' REPORT

NSR has delivered pleasing outcomes in FY23 for National Storage's stakeholders, despite marked changes in the economic environment. The exceptionally high demand drivers experienced as a result of COVID-19-related changes to domestic consumer spending, have moderated. In addition, the increased pressure on the residential sector from significantly higher interest rates is also having a noticeable impact on housing related and general retail demand. Notwithstanding these headwinds, NSR has maintained its occupancy at very high levels and grown its revenue across Australia and New Zealand, building on its robust growth trajectory. Our high performing teams across all business sectors have demonstrated their commitment to our business, and in these increasingly challenging economic conditions, we remain confident that NSR's long established business model will continue to deliver solid results for our stakeholders.

Our key results achieved across FY23 reflect the strength and resilience of our business:

- Underlying earnings increased 8.5% to 11.5cps
- Group REVPAM increased 3.6% to \$270/m²
- Group rate per square metre increased 8.2% to \$319/m²
- Group occupancy reduced slightly to 85.0%
- Increase in overall investment properties to \$4.3 billion, with valuation uplift driven by improved operational performance and a largely unchanged weighted average portfolio capitalisation rate of 5.91%
- NTA up by 6% to \$2.48 reflecting our ability to add value to the portfolio through enhancing operational performance and creating operating efficiencies
- Total Revenue for the Group increased to \$330 million, up 18% on the prior year

- Pleasingly our Operating Margin also increased – up 2% to 66%, illustrating our ability to drive synergies and economies of scale from the self-storage platform, now over 230 centres across Australia and New Zealand.

NSR has successfully navigated the challenges of the evolving operating environment faced in FY23 through the execution of a number of important strategies. These strategies have included further strengthening of NSR's balance sheet by way of a highly successful capital raising undertaken in March 2023. NSR raised \$300 million through an institutional placement, plus a further \$40 million via a security purchase plan to retail securityholders. The equity raisings were heavily oversubscribed and undertaken at a modest 4% discount to NSR's last closing price immediately prior to the announcement of the institutional placement. This raising has significantly bolstered NSR's balance sheet and places NSR's gearing at 20% as at 30 June 2023 – at the lower end of the entire A-REIT sector.

In conjunction with its equity capital management activities, NSR has significantly extended and improved both the headroom, scope and tenor of its debt facilities. In June 2023, NSR announced a substantial new syndicated term debt facility involving 18 new and existing banks, raising \$400 million equally split between five and seven year maturities. This debt was competitively priced and was heavily oversubscribed, demonstrating the relative strength of NSR's position from a lending perspective. NSR has since increased its hedge profile, as well as extending and negotiating a number of new smaller debt facilities. Once finalised NSR will have \$820 million of documented but available funding capacity, and well over \$1 billion of headroom before it reaches the upper end of its targeted gearing range. This further highlights the resilience and conservative positioning of NSR's operating business model.

Our Board members, Executive team, and Heads of Department have spent considerable time and effort

"NSR HAS MAINTAINED ITS OCCUPANCY AT VERY HIGH LEVELS AND GROWN ITS REVENUE ACROSS AUSTRALIA AND NEW ZEALAND, BUILDING ON ITS ROBUST GROWTH TRAJECTORY"



reviewing every aspect of our strategy and current business operations in order to evolve our systems and processes in the pursuit of excellence as part of our Four Pillars Growth Strategy. As a result of this whole of business review, our Four Pillars have evolved to embrace the following:

- Organic Growth - Optimise organic growth through active revenue management, enquiry optimisation and conversion, technology and automation, and continued cost efficiency throughout the NSR business;
- Acquisitions, Developments and Expansions - Centralised acquisition and development team with a diversified delivery pipeline to expedite and simplify the project delivery process and maximise returns. Individual Centre Optimisation program also underway to maximise individual centre operations and returns on a centre-by-centre basis;
- Technology and Automation - Utilise data analytics to improve customer acquisition and retention, increasing focus on existing and new centre automation projects to enhance overall efficiency and profitability, centralisation of systems and processes to reduce overheads and improve control and cyber security;
- Sustainability (ESG) - Improve our solar generation capacity to further reduce centres' energy costs and carbon footprint, charting a pathway to net zero emissions. Focus on adaptive reuse, recycling,

design efficiency and material selection, improving our customers' experience, heightening staff engagement and supporting our partners and the communities in which we operate.

NSR has executed its highly focused Four Pillars Growth Strategy throughout FY23. This has evolved into FY24 with the introduction of our new Sustainability pillar, demonstrating our tangible commitment to ensuring sustainability overlays all aspects of our business. As NSR's business matures, it is important to refine and evolve our strategies in order to ensure that our core objective of maximising return on securityholders funds invested is achieved. This objective is primarily focused on our First Pillar - Organic Growth. Organic Growth is achieved through our regimented approach to growing same centre revenue through the increasing utilisation of automation and revenue management tools that help make our operations both more efficient and effective. Our team remains highly focused on building scale as well as improving operating margin, demonstrating our unified focus of driving efficiencies across the business.

The Organic Growth Pillar is underpinned by a clear focus on our people and optimising their overall performance. We provide ongoing training and support for our team members, focusing on helping them realise their "best selves" while driving sustained high-level business outcomes. National Storage has improved collaboration within teams which has delivered sustainable high-performance results, this is



further supported by the development of a succession pipeline for key roles, creating talent pathways as well as providing business continuity. Through our 'NS Cares' program we are committed to providing meaningful support to four charitable organisations. We are proud to currently partner with charities across the important areas of medical research, mental health, support and safety, all housed under the umbrella of "creating safe spaces" – a cornerstone of our mission here at National Storage.

"WE ARE PROUD TO CURRENTLY PARTNER WITH CHARITIES ACROSS THE IMPORTANT AREAS OF MEDICAL RESEARCH, MENTAL HEALTH, SUPPORT AND SAFETY"

Our Second Pillar of growth is focused on creating built capacity. This is manifested through the combination of Acquisitions, Developments, Expansions and Centre Optimisations. NSR seeks to acquire only existing storage assets which have the potential to be

yield accretive in the three to five years immediately post their acquisition. Historically, NSR has demonstrated an ability to add on average 1% per annum in yield accretion to storage assets acquired over the last five years. This means in effect that storage assets acquired five years ago are on average performing with an annualised yield which is 5% greater than their original yield on cost. Our acquisition strategy remains focused predominantly on off-market, value

accretive opportunities sourced from our team's long-standing industry insights in an aim to enhance our existing footprint. The second limb of this strategic pillar is to provide ongoing built capacity by way of our Development and Expansion pipeline, as well as undertaking selected Centre Optimisations to improve centre efficiency and add important new built capacity where appropriate opportunity exists.

NSR has secured an unrivalled portfolio of over 60 new development and expansion opportunities which will add new built capacity to the portfolio in ensuing years. The importance of scale in the Australian and New Zealand markets cannot be overstated. This strategy will enable NSR to build an unrivalled network of self-storage centres in key markets. Our current development pipeline has increased to approximately 360,000m², with 45 active projects at various stages of completion, providing NSR with the opportunity to break ground on new sites in both infill locations and new markets.

The Third Pillar of our growth strategy is Technology and Innovation. NSR utilises data analytics to improve customer acquisition and retention, allowing us to increase focus on existing and new centre automation projects to enhance overall efficiency and profitability. The centralisation of our systems and processes will allow us to reduce overheads and improve control over our business. NSR has a suite of technology and innovation projects all designed to optimise enquiry generation and new customer conversion into sales and centre efficiency, whilst reducing overheads. These initiatives will be key to the successful scalability of our business as well as allowing us to improve our

operating margin in coming years. Current initiatives include wayfinding technology, improved self-service and payment options for our customers, and further development of our internal sales platform to provide improved sales metrics and analytics for our management and frontline teams. Our focus in FY24 includes the further evolution of our cyber security program, new telephony platform for centres aimed at delivering AI for greater automation, integration of workforce management tools and our core sales platform, and the automation of accounts receivable processes. These initiatives strive to drive efficiency, reduce costs and enhance customer experience.

Our new Fourth Pillar is Sustainability. This reflects our determination to be the most attractive investment in our sector – because we overlay our business with a sustainable lens, creating trust and confidence that we are building a business for the benefit of our securityholders, customers, employees, communities, and the planet. NSR is working to improve its solar generation capacity to further reduce our centres' energy costs and our carbon footprint, while charting a pathway to net zero emissions. Through the development and improvement of our centres, NSR focuses on adaptive reuse, recycling, design efficiency and material selection, improving our customers' experience, and heightening staff engagement. A key achievement in FY23 included the completion of our third carbon audit across the NSR group. This audit again highlighted NSR's relatively low carbon emissions with it's Scope 1 and 2 emissions sitting at an average of 38 tonnes of CO₂e per centre, a reduction of approximately 30% per centre compared to the

inaugural June 2020 audit. In addition, we have undertaken a climate impact risk assessment of our portfolio to identify those assets that may be vulnerable to hazards caused by extreme weather and climate change. More details on our ESG initiatives will be included in our Sustainability Report.

In summary, NSR remains well positioned for growth during these uncertain and challenging times. The NSR platform is highly scalable and by far the largest owner operated, fully internally managed, storage-specific REIT in Australasia. We will focus on expanding the NSR business with a view to maximising earnings per security, for the benefit of all stakeholders.

As a closing remark, we would again offer our sincere thanks to all stakeholders. You have again provided NSR with unwavering support during these uncertain times - support for which we are both humbled and grateful. We will remain focused on working together to achieve best in class results for our stakeholders year after year.

Anthony Keane
NON-EXECUTIVE CHAIRMAN

Andrew Catsoulis
MANAGING DIRECTOR

Investment PARTNERS

National Storage continues to work with its current investment partners, and engage with new investment partners, to assess options for future acquisition, development and redevelopment opportunities.

PERTH DEVELOPMENT PORTFOLIO

The Perth Development Portfolio is a construction and management arrangement with one of Perth's leading self-storage construction companies, Parsons Group. This venture continues to reinforce

the National Storage brand as a prominent player in the Perth market. Various sites in and around Perth have been identified as part of the arrangement, whereby Parsons Group constructs high-quality self-storage centres branded as National Storage. The partnership to date has delivered multiple new self-storage centres and expansions, with additional locations currently under design and construction. Over the last year, multiple new sites have been reviewed and added to the development pipeline and are currently in various stages of due diligence and planning.

BRYAN FAMILY GROUP

National Storage and Bryan Family Group cemented their partnership in FY22 to jointly develop a site at Moorooka in Brisbane. This resulted in a high-quality storage centre and service station that commenced operation in the second half of FY22. National Storage acquired the storage centre from the partnership in FY23.

OTHER PARTNERS

National Storage continues to work with numerous other development partners for the construction of quality self-storage centres. These partnerships have delivered multiple new self-storage centres over recent years, with additional centres currently under construction in Queensland and Victoria. In addition, several centres in Queensland and Victoria are currently in various stages of design, planning and construction which, when delivered, will add to the National Storage network.

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BYFORD, WA

The year in REVIEW

"HOUSING
APPROXIMATELY
TWO MILLION BOTTLES
OF FINE WINE,
WINE ARK OPERATIONS
TAKE PLACE ACROSS
15 CENTRES FOR CLIENTS
LOCATED IN OVER
40 COUNTRIES."

WINE ARK ALEXANDRIA, NSW

ASSET MANAGEMENT

National Storage continued to deliver positive revenue results in FY23, supported by the ongoing success of our revenue management software and the operations team. This software utilised forecast and sensitivity modelling, supported by AI, to maximise occupied revenue growth, drive key metric performance, and achieve stabilised occupancy and rate per square metre levels on an individual unit basis.

The 30 June 2023 REVPA across the Group portfolio (195 centres) was \$270/m², a 3.6% increase from the June 2022 result of \$260/m².

Occupancy across the portfolio on this same basis also reduced slightly to 85.0% (June 2022: 88.5%). The National Storage operations team across Australia and New Zealand continued to deliver strong results during the year, despite the various macro and micro economic challenges posed throughout the period. A focus on sales training and team development, as well as improved marketing and technology saw conversion remain strong. An increased focus on ancillary review streams such as packaging, insurance and other "add-on" services delivered strong revenues. Changes to the internal sales platform also saw ongoing improvements in customer service via automation and optimisation processes, while ensuring we met the demands of an evolving trading environment. Internal promotion and continued centre growth has seen the state-based leadership teams expand, from both internal and external appointments.

ACQUISITIONS

National Storage has successfully transacted eight acquisitions and development sites in FY23 and continues to pursue high-quality acquisitions across Australia and New Zealand. The ability to acquire and integrate strategic accretive acquisitions is one of National Storage's major competitive advantages and a cornerstone of its growth strategy. This active growth strategy also strengthens and scales the National Storage operating platform which drives efficiencies across the business.

DEVELOPMENTS AND EXPANSIONS

Our focus on expanding capacity with high-quality strategic assets continues. This year the development pipeline has increased to approximately 360,000m² of expansion potential from a combination of strategically acquired development sites, and the expansion of existing portfolio assets. There are currently 45 active projects at various stages, with 20 projects under construction or with DA approval obtained and the remaining projects undergoing detailed design and planning. Four projects completed during FY23, including our newest operational development asset now trading in greater Springfield.

WINE ARK

Wine Ark is Australia's largest wine storage provider and is a part of the National Storage Group. Housing approximately two million bottles of fine wine, Wine Ark operates across 15 centres for clients located in over 40 countries. There are few businesses in Australia with more experience in the exacting task of storing and managing premium wine. Wine Ark's wine storage functions are complemented by a compelling wine sales offering. This offering gives clients the opportunity to acquire new release wines from iconic Australian and overseas vendors, coupled with the opportunity for existing clients and the broader wine-buying public to purchase surplus wine in Wine Ark's storage. This surplus wine purchasing platform is popular with restaurants, as they can acquire aged wines with guaranteed provenance, enabling them to sell with confidence.

Throughout FY23, Wine Ark continued to strengthen its relationship and involvement in the greater wine trade industry, supporting the endeavours of The Len Evans Tutorial, The Wine Communicators of Australia and Commanderie de Bordeaux (Australian Chapter).

MARKETING AND CUSTOMER EXPERIENCE

The National Storage FY23 marketing strategy concentrated on enhancing our capabilities in digital marketing, sponsorships, and community engagement. We prioritised the expansion of our digital presence to attract more customers to our website, resulting in increased online enquiries and bookings. By aligning all our digital activities with our vision of an exceptional customer experience, we were able to offer a seamless digital booking process, extending to customers who initiated their booking through our Contact Centre.

To better support our customers in New Zealand, we established a new Contact Centre located in Auckland. This initiative was specifically aimed at providing a local point of contact for our growing New Zealand customer base.

Our sponsorship activities in FY23 were geared towards acquiring customers through various campaigns targeting our digital channels, as well as direct engagement with sponsor members and fan databases. The data capture and retail promotion campaigns led to an impressive 106% surge in unique web sessions compared to the previous year, demonstrating a favourable response from our target audience to our nationwide sponsorship initiatives.

To strengthen brand trust beyond digital and sponsorships, our marketing communications placed significant emphasis on the community aspect of our business. Through the launch of our NS Cares charitable initiative, and the continuation of our Community Units Program, National Storage actively supported community groups in the areas in which we operate.

Our approach to customer care maintained a strong focus on customer centricity. By being responsive to customer needs and ensuring a smooth experience when working with National Storage, we aimed to further enhance convenience and drive growth to achieve our targeted occupancy objectives.

"TO STRENGTHEN BRAND TRUST BEYOND DIGITAL AND SPONSORSHIPS, OUR MARKETING COMMUNICATIONS PLACED SIGNIFICANT EMPHASIS ON THE COMMUNITY ASPECT OF OUR BUSINESS"

INTERNATIONAL WOMEN'S DAY FUN RUN, QLD



Board of DIRECTORS



Anthony is an experienced finance and business executive with an extensive background in banking and business management. Prior to accepting his directorship with National Storage, Anthony held numerous leadership roles with a major trading bank principally in business, corporate and institutional banking. He is actively involved in the business community through Non-Executive Director and Advisory Board roles, and finance advisory consultancies.

Anthony is a Director of ASX listed EMvision Medical Devices Ltd (EMV). Anthony has a Bachelor of Science (Mathematics) from University of Adelaide and a Graduate Diploma in Corporate Finance from Swinburne. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors and a Fellow of the CEO Institute.

Anthony is Chair of the Nomination Committee and is a member of the Audit and Risk Committee and Remuneration Committee.



Howard has over 35 years' involvement in the Australian property industry, as an analyst, investor and fund manager. Howard cofounded Property Investment Research Pty Ltd (PIR) in 1989, which during the 1990s was considered a leading researcher of both listed and unlisted property funds. In 1998 Howard was instrumental in establishing the funds management business of APN Property Group Limited. During this period, he was responsible for the establishment and operations of a number of funds investing both directly and indirectly in real estate.

Since 1998, Howard has been a director (or the director of the responsible entity) of numerous listed and unlisted real estate investment vehicles.

Howard is Chair of the Audit and Risk Committee and is a member of the Nomination and Remuneration Committees.



Inma brings her commercial acumen and diverse range of experience to the NSR board. As a senior finance executive, she has had leadership roles spanning Financial Control, Internal Audit and Risk Management within top multinationals in Energy, FMCG and Banking. In addition, she has governance experience as Chair of Finance, Audit and Risk Committees across several boards where she has a record of delivering revenue growth. More recently, she has led marketing, public relations and stakeholder engagement teams. Inma is culturally and linguistically diverse and brings a different perspective to the board of NSR.

Inma is currently a non-executive director of UN Women Australia. She holds a BA (Mathematics) and BA Hons (Economics and Commerce) from the University of Valencia, Spain, is a Fellow of the Association of Chartered Certified Accountants and is a Graduate of the Australian Institute of Company Directors.

Inma is a member of the Audit and Risk, Nomination, and Remuneration Committees.



Scott has over 25 years' experience in the Technology and Telecommunications sector across the Asia Pacific region, including a breadth of experience gained from working for large global telecommunication organisations before founding his own successful managed service provider company. Scott holds a Bachelor of Business (Marketing) from the Queensland University of Technology and has extensive experience in technology and leadership positions. Having successfully co-founded Comlinx (Managed Service Provider) in 2006, he went on to sell that business to ASX listed Telecommunications provider Over the Wire (ASX: OTW) in 2018 and continued in the senior leadership team, taking over the role of CEO of OTW in February 2020. OTW has subsequently been sold to Aussie Broadband (ASX: ABB).

Presently, Scott serves as a consultant in the technology industry and is on the Advisory Board of Heal Inc, a San Francisco-based software company specialising in AiOps and Machine Learning capabilities. Additionally, he is actively involved in various Corporate Advisory engagements and early-stage technology investments.

Scott is Chair of the Remuneration Committee and is a member of the Audit and Risk Committee and Nomination Committee.

EXECUTIVES



A founder of the National Storage business, Andrew has over 25 years' of specific self-storage industry expertise in areas including acquisitions, developments, and the integration and operation of 'greenfield' and developed self-storage centres.

Andrew is a qualified solicitor who has been admitted to the Supreme Court of Queensland. He has had extensive experience in the fields of finance, commercial and property law during his tenure at major law firms both in Australia and overseas. He is also a qualified project manager and has considerable property development experience both within the storage industry and in broader markets.

Andrew was instrumental in the successful acquisition and integration of the original pre-existing Group portfolio, led the Company through the IPO, and planned and negotiated the acquisition of the Southern Cross portfolio in 2016. He has led the company in its growth from a single centre in 1996 to over 200 centres today and has been primarily responsible for charting its strategy over that period.



Claire was appointed an Executive Director in July 2017 and has been the Company Secretary of National Storage since November 2015. She was appointed Head of Legal and Governance in June 2020 and now oversees the legal, governance, risk and compliance functions of the organisation. Claire holds legal and international business qualifications and is admitted as a solicitor of the Supreme Court of Queensland. Claire has twenty years' experience in corporate and commercial law, both in private practice and in-house.

She practiced in the litigation, resources, and corporate areas of two large law firms and as Corporate Counsel and Company Secretary at Rio Tinto Coal Australia, prior to joining National Storage. Claire has also worked in corporate compliance with the Australian Securities and Investments Commission. Claire is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.



Stuart joined National Storage in late 2014, with extensive experience in the energy sector in coal and gas fired power generation. He has held wide ranging finance and commercial management roles, including as Commercial Manager for Energy Developments Limited.

Prior to this, Stuart was Commercial Manager on the delivery of a multi-site gas fired power generation project and micro-LNG plant. He has significant experience in project financing, mergers and acquisitions, and project development. Stuart holds a Bachelor of Business, is a Certified Practising Accountant and is a graduate of the Australian Institute of Company Directors.



Manny joined National Storage in late 2015, with experience in leadership, WHS, culture and wellbeing. Immediately preceding his appointment to the Executive Team, Manny held senior leadership positions within National Storage's corporate and operational departments.

Prior to joining National Storage, Manny managed welfare, leadership, and culture at the Brisbane Lions AFC, WHS management at Hydro Tasmania, and has several years' experience in elite sports performance. He also served in the Royal Australian Navy for 11 years where he saw active service in the Gulf War and was awarded the Meritorious Unit Citation (issued for outstanding service in warlike operations), the Australian Active Service Medal, and the Kuwait Liberation Medal, among others.

CORPORATE GOVERNANCE

SUSTAINABILITY

This year will see the release of National Storage's seventh stand-alone sustainability report. The report is expected to be released in October 2023, prior to National Storage's AGM and will be published online at nationalstorageinvest.com.au. The report will detail National Storage's progress across its four sustainability pillars being strategy, environment, people and governance. Further, the environmental, social and governance aspects of the organisation will be reported and sustainability targets discussed.

CORPORATE GOVERNANCE

The National Storage Boards are responsible for ensuring that the organisation has an appropriate corporate governance framework in place to protect and enhance the entities' performance and build sustainable value for securityholders. The corporate governance framework is based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. More information is provided in NSR's Corporate Governance Statement, which can be viewed online at nationalstorageinvest.com.au.

Directors' REPORT

KEY HIGHLIGHTS

Group	FY23	FY22	Change	
Total Revenue	\$330.0m	\$278.9m	18%	▲
IFRS profit after tax	\$320.4m	\$620.6m	(48%)	▼
Earnings per stapled security	25.75cps	51.71cps	(50%)	▼
Underlying earnings ⁽¹⁾	\$141.8m	\$126.5m	12%	▲
Underlying earnings per stapled security ⁽¹⁾	11.5cps	10.6cps	8.5%	▲
Net operating cashflow	\$188.3m	\$165.8m	14%	▲
Distribution per security	11.0cps	10.0cps	10%	▲

Portfolio	At June 2023	At June 2022	Change	
Number of Centres owned/managed & licenced (Total)	233/1 (234)	222/4 (226)	11/(3) (8)	▲
Group occupancy ⁽²⁾	85.0%	88.5%	(3.5%)	▼
Group REVPAM ⁽²⁾ (Revenue per available metre)	\$270	\$260	3.6%	▲
Weighted Average Primary Cap Rate	5.91%	5.86%	(0.05%)	▼
Investment Properties ⁽³⁾	\$4.29b	\$3.73b	15%	▲
Portfolio Valuation Uplift	\$213m	\$532m	(\$319m)	▼
Acquisitions / Centres ^(3,4)	\$120m/11	\$171m/15	(\$51m)/(4)	▼
Net Lettable Area (NLA) (sqm)	1,280,000	1,180,000	8%	▲

Balance Sheet	At June 2023	At June 2022	Change	
Total Assets ⁽⁵⁾	\$4.58b	\$4.05b	13%	▲
Debt drawn ⁽⁵⁾	\$947m	\$975m	(\$28m)	▼
Interest Rate Hedges ⁽⁵⁾	\$346m	\$360m	(\$14m)	▼
Gearing	20%	23%	(3%)	▼
Weighted average cost of debt (Inc swaps)	4.94%	2.75%	2.19%	▲
Weighted average debt tenor (years)	3.5	3.3	0.2	▲
Net Tangible Assets (NTA)	\$2.48	\$2.34	6%	▲

PRINCIPAL ACTIVITIES

Listed on the ASX in December 2013, NSR's Vision is "To be a world leader in the provision of innovative and sustainable self-storage solutions". NSR is the largest self-storage owner/operator across Australia and New Zealand, providing tailored storage solutions to approximately 90,000 customers. NSR's extensive portfolio of owned, managed and licenced centres continues to expand, having grown the network from 62 centres at IPO in December 2013 to 236 centres at the date of this Directors' Report.

Net Lettable Area (NLA) growth in built capacity is also achieved through development, expansion and redevelopment with 4 newly constructed and expanded storage centres delivered during the Reporting Period adding 20,200m² of NLA and a further 45 projects in various stages of design, construction and delivery. NSR now manages approximately 120,000 storage units across approximately 1.3 million square metres of NLA in Australia and New Zealand. NSR's storage centres have the largest average NLA per centre of its listed Australian peers at 5,500m² per centre, providing greater scope for centre profitability and better economies of scale.

The value of Investment Properties⁽⁵⁾ on NSR's balance sheet has increased by 15% during the Reporting Period to \$4.29 billion as at 30 June 2023.

Of the 236 self-storage properties in the NSR portfolio at the date of this report, ownership is as follows:

- 223 self-storage centres owned by NSPT group (Freehold Centres)
- 12 self-storage centres operated as long-term leasehold centres (Leasehold Centres)
- 1 third party managed centre

¹ Underlying earnings is a non-IFRS measure (unaudited), see table within Operating Results for reconciliation

² Group – Australia and New Zealand (195 centres)
Australia – 169 centres as at 30 June 2021 (excluding Wine Ark and let-up centres)
New Zealand – 26 centres as at 30 June 2022 (excluding let-up centres)

³ Investment properties net of lease liability

⁴ Excluding transaction costs

⁵ NZD/AUD exchange rate of 1.08746

During the Reporting Period, NSR converted one of its Leasehold Centres to a Freehold Centre by acquiring the underlying freehold property interest from the former owner. The ownership of both the business and the freehold of this centre now sits with NSR.

NSR has refined its "Four Pillar" growth strategy during the year, combining the "Acquisitions" and "Development and Expansions" Pillars and adding "Sustainability" as the new Fourth Pillar. The Sustainability Pillar emphasises NSR's commitment to sustainability through a comprehensive Environmental, Social and Governance framework.



BUSINESS STRATEGY

NSR's objective is to deliver investors consistent and growing income and distribution streams from a portfolio of geographically diversified high-quality self-storage assets. NSR strives to drive income and capital growth through active asset and portfolio management (including the acquisition, development or redevelopment and portfolio recycling of self-storage centres).

The key drivers of NSR's business are:

- Organic Growth - NSR achieves organic growth through a combination of occupancy and rate increases assessed on an individual centre basis
- Acquisitions, Development and Expansion - NSR has executed over 165 high-quality acquisitions since its IPO in December 2013 – a growth rate unmatched in the Australasian market. NSR has proven in-house expertise which enables it to identify, negotiate and deliver strategic development, expansion and refurbishment projects in an efficient and effective manner
- Technology and Innovation - NSR leads the Australasian storage industry with new technology and innovation projects designed to improve operational efficiency and enhance the customer and employee experience, providing an important competitive advantage over its peers
- Sustainability – through NSR's comprehensive Environmental, Social and Governance framework, NSR focuses on creating trust and confidence that we are delivering sustainable outcomes for our stakeholders and the environment.

Further details on these key business drivers can be found elsewhere in the NSR 2023 Annual Report and NSR's Sustainability Report.

REVIEW AND RESULTS OF OPERATIONS

The Financial Statements of NSR are prepared in compliance with Australian Accounting Standards and the requirements of the *Corporations Act 2001* (Cth).

OPERATING RESULTS

IFRS Profit after tax for the Reporting Period was \$320.4 million delivering IFRS EPS of 25.8 cents per stapled security. The exceptional operating performance of the portfolio for the Reporting Period saw underlying earnings increase by 12.1% to \$141.8 million.

NSR achieved underlying earnings per stapled security of 11.5cps for the 2023 financial year, an increase of 8.5% over the previous 12 months. This result was driven by an 18% increase in total revenue to \$330 million as REVPAM, a combination of rate per square metre and occupancy increased, as well as contributions from acquisitions and new developments. Occupancy across the Group has remained at high levels, finishing the year at 85.0%, providing further upside for growth as NSR is well positioned to capitalise on the future growth in the industry. Strong growth in Group rate of 8.0% to \$319/m² helped deliver Group REVPAM growth of 3.6% to 270/m². REVPAM growth was strongest across Australia (+4.2%) with New Zealand reducing slightly by 1.1% as a result of the impact of the tougher New Zealand economic conditions. Let-Up centres (those recently built or expanded) filled strongly with approximately 20,000m² of new NLA filled during the Reporting Period and an additional 20,100m² of built NLA added to the portfolio.

The impact on operations due to economic uncertainties and higher interest rates remain relatively modest. The operational result for the full year reflects the highly resilient nature of NSR's business model and its well-executed growth strategy, as well as the high level of competency and commitment demonstrated by the NSR team across all aspects of the business.

\$m	FY23	FY22
IFRS Profit after tax	\$320.4	\$620.6
Plus tax expense	\$13.8	\$10.2
Plus restructuring and other non-recurring costs	-	\$4.4
Plus amortisation of interest rate swap reset	\$5.4	\$7.8
Less fair value adjustment and FX movement	(\$189.4)	(\$509.5)
Less lease diminution on leasehold investment properties	(\$8.4)	(\$7.0)
Underlying Earnings	\$141.8	\$126.5
Weighted average securities on issue (refer note 20)	1,236,914,113	1,189,922,871
Underlying earnings per stapled security	11.5cps	10.6cps

CASH MANAGEMENT

Cash and cash equivalents as at 30 June 2023 were \$67.3 million compared to \$83.7 million at 30 June 2022. Subsequent to 30 June 2023, the cash balance has been utilised to facilitate further acquisitions and the upcoming payment of the distribution on 5 September 2023. Net operating cashflow for the year increased 14% to \$188.3 million (2022: \$165.8 million).

An interim distribution of 5.5 cents per stapled security (\$66.0 million) was paid on 1 March 2023 with an estimated final distribution of 5.5 cents per stapled security (\$74.2 million) declared on 21 June 2023, to be paid on 5 September 2023. This totals a full year distribution of 11.0 cents per stapled security, against underlying earnings per security of 11.5 cents, representing a payout ratio of 96%, within the target payout ratio of 90% - 100% of underlying earnings.

During the Reporting Period NSR once again offered a Distribution Reinvestment Plan (DRP) which enables eligible securityholders to receive part or all of their distribution by way of securities rather than cash.

For the December 2022 interim distribution approximately 25% of eligible securityholders (by number of securities) elected to receive their distributions as securities totalling approximately \$16.5 million. The DRP price was set at \$2.3099 which resulted in 7,129,077 new securities being issued.

The June 2023 final distribution has seen approximately 35% of eligible securityholders (by number of securities) elect to receive their distributions as securities totalling approximately \$25.7 million. The DRP price was set at \$2.1555 which will result in approximately 11,934,000 new securities being issued.

NSR further strengthened its balance sheet during the year by way of a highly successful capital raising undertaken in March 2023. NSR raised \$300 million through an institutional placement, plus a further \$40 million by way of a security purchase plan (SPP) to retail securityholders. Both the institutional placement and SPP were heavily oversubscribed and were undertaken at a modest 4% discount to NSR's last close immediately prior to the announcement of the institutional placement. This raising has significantly bolstered NSR's balance sheet and reduced NSR's gearing to historically low levels in these uncertain times.

NSR actively manages its debt facilities to ensure it has adequate investment capacity to fund future acquisitions, developments and working capital requirements. During the year ended 30 June 2023, NSR extended and improved both the headroom, scope and tenor of its debt facilities. In June 2023, NSR announced a substantial new syndicated term debt facility involving 18 new and existing banks, raising \$400 million equally split between five and seven year maturities. This debt was competitively priced and was heavily oversubscribed, demonstrating the relative strength and attractiveness of NSR's position from a lending perspective. NSR has since improved its hedge profile, and secured and extended additional new debt facilities, providing it with over \$820 million of available funding, and well over \$1 billion of headroom before it reaches the upper end of its targeted gearing range.

As at the Reporting Date the Consolidated Group's borrowing facilities are AUD \$1,410 million and NZD \$207 million, with AUD equivalent of approximately \$670 million undrawn and available. NSR's weighted average debt tenor as at the Reporting Date has increased to 3.5 years (30 June 2022: 3.3 years). NSR actively monitors its debt structure with the aim of increasing diversity of funding sources and extending NSR's debt tenor beyond 4 years. NSR's gearing level as at 30 June 2023 was 20% against a target gearing range of 25% - 40%, demonstrating a conservative position in the current debt environment and providing flexibility and the ability to act expeditiously on acquisition and development opportunities as they arise.

NSR utilises interest rate derivatives in accordance with NSR's hedging policy. This hedging policy is reviewed on a regular basis. As at the Reporting Date interest rate hedges totalling \$346 million were in place with expiry dates ranging from 0.25 years to 4.00 years.

ACQUISITIONS AND INVESTMENTS

NSR considers its ability to acquire and integrate quality self-storage assets to be one of the key drivers of its growth strategy and best-in-sector success to date. NSR's dedicated in-house acquisitions team leads the market in identifying, facilitating and transacting on acquisitions that are considered to be appropriate for inclusion in the NSR portfolio. NSR critically assesses each potential acquisition against criteria such as:

- location and surrounding demographics of local catchment area;
- competition and potential for future competition within the primary (3km) and secondary (5km) competitive radial areas;
- exposure to passing traffic – typically a minimum of 30,000 cars per day targeted;
- build quality and opportunities for value adding such as expansion potential, surplus land, occupancy runway or potential for rate per square metre improvement;
- proximity to major drivers of storage demand such as retirement villages, new housing development and / or medium density apartment or townhouse developments and major shopping centres; and
- environmental, sustainability and climate change risk.

NSR has executed on its focused acquisition strategy with 10 new storage centres, the freehold of one previously leasehold storage centre and 22 development sites acquired during the Reporting Period, totalling \$234 million. Since the Reporting Date to the date of this Directors' Report, NSR has settled two storage centre centres, two development sites, and purchased the freehold of an existing leasehold centre, for total consideration of \$45.3m.

NSR re-values all assets each Reporting Period through a combined process undertaken by both external valuers and Directors' valuations. Director valuations are based on valuations and methodologies from independent valuers (m3 Property and Cushman & Wakefield). After having undertaken this process, the weighted average primary capitalisation rate of NSR's portfolio of assets eased slightly by 5 basis points to 5.91% and the value of the 30 June 2022 portfolio increased by \$213 million, with the majority of this uplift driven by improved operating performance. This contributed to the 6% increase in NTA which now sits at \$2.48 per stapled security, up from \$2.34 per stapled security in June 2022.

Acquisitions for the Year Ended 30 June 2023

Region	Number of Centres	NLA (m²)
New South Wales	2	15,300
Queensland	1	6,200
Victoria	2	4,000
Western Australia	3	18,700
New Zealand	2	3,600
Total	10	47,800
Development Sites	22	
Acquisition of Freehold	1	
Total	33	

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

In June 2019, NSR with Bryan Family Group ("BFG") acquired a combined commercial and self-storage development site at Biggera Waters on the Gold Coast. Construction of a multi-level, state-of-the-art self-storage facility was completed and commenced trading in January 2021.

In December 2019, NSR with The Bryan Foundation ("TBF") acquired a development site at Moorooka in Brisbane for the purpose of developing a combined commercial and self-storage facility. Construction of the multi-level, state-of-the-art self-storage facility and commercial building was completed and commenced trading in January 2022. During the Reporting Period NSR acquired the Moorooka self-storage facility.

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

LIKELY DEVELOPMENTS

NSR utilises its position as Australia's first and only ASX listed, pure play, internally managed, fully integrated, sector specific, self-storage REIT in order to execute its stated "Four Pillars" strategy. This embodies:

- organic growth through increases in rate and occupancy at an individual centre level, overlaid with prudent cost control;
- growth by acquisition of quality storage centres across Australia and New Zealand, development, expansion and redevelopment activity focused on high-quality new self-storage developments in key locations and evaluating its existing portfolio for expansion, development or re-development opportunities, while exploring portfolio recycling opportunities;
- technology and innovation – harnessing new technology, innovation and AI to bring further efficiencies and economies of scale to NSR's existing business model: and
- Sustainability through NSR's comprehensive Environmental, Social and Governance framework, NSR focuses on delivery outcomes that are sustainable, for investors, employees, partners and the environment, while maximising returns for its stakeholders.

DIVIDENDS AND DISTRIBUTIONS

NSR has paid or declared distributions totalling 11.0 cents per stapled security for the Reporting Period, representing 96% of underlying earnings per stapled security of 11.5 cents:

- An estimated final distribution of 5.5 cents per stapled security for the 6 months to 30 June 2023. The distribution is expected to be paid on 5 September 2023 and is expected to contain a tax deferred component.
- An interim distribution of 5.5 cents per stapled security for the period 1 July 2022 to 31 December 2022 which was paid on 1 March 2023 which included a tax deferred component.

ENVIRONMENTAL REGULATION

NSR's operations are not regulated by any environmental law of the Commonwealth or a State or Territory that is enacted specifically for NSR. However, as part of its operations, NSR must comply with broader environmental laws. NSH management on behalf of NSR has in place procedures to identify and ensure compliance with such laws including identifying and obtaining necessary approvals, consents or licences.

There have been no known material breaches during the Reporting Period of any environmental laws to which NSR is subject.

RISK MANAGEMENT

NSR is committed to maintaining a robust system of risk oversight, management, and internal controls, fostering an environment where effective risk management practices are deeply ingrained within our business. We remain committed to proactively and efficiently managing risks throughout the organisation to instil confidence in our Board and other stakeholders.

The Board of Directors holds the responsibility for ensuring the efficacy of NSR's risk management framework, which assesses and addresses risks concerning operational, regulatory, reputation, and financial aspects impacting the business.

This framework establishes the basis and protocols for designing, implementing, monitoring, reviewing, and continuously improving risk management throughout the organisation, aligning with the principles outlined in the ASX Corporate Governance Principles and Recommendations (Fourth Edition) and incorporating guidelines from the Australian Standard AS/NZS ISO 31000:2018 Risk management – Principles and guidelines.

The Risk Committee (since amalgamated with the Audit Committee to form the Audit and Risk Committee effective 1 July 2023) supports the Board in overseeing the effectiveness of NSR's risk management system by reviewing compliance in areas identified as particularly sensitive to risk. The Committee Charter is available to view on our investor website: nationalstorageinvest.com.au/governance/.

The Board has entrusted the Managing Director with overall operational responsibility for the risk management function. The Managing Director receives support from the Executive Management Team, with the Chief Financial Officer overseeing financial risks and financial reporting matters, and the Head of Legal and Governance in her capacity as the Group's Risk Officer handling the administration of the risk management function.

Each department assumes responsibility for identifying and managing their respective risks. To promote consistency in capturing and reporting risks, NSR operates an enterprise-wide risk management system across the Group.

During FY23, NSR was met by variable economic conditions, interest rate volatility, and emerging regulatory and policy changes. We continued to consider both our operational and responsible entity functions in applying NSR's eleven risk management principles when communicating, identifying, analysing, evaluating, and treating risks and opportunities across the business. For further detail on our principles, please refer to our Risk Management Policy available on our investor website: nationalstorageinvest.com.au/governance/.

Moving forward, we remain steadfast in our commitment to positioning NSR for enduring success by promptly addressing risks that could impede the realisation of our strategic objectives.

KEY RISKS AND OPPORTUNITIES

A number of the risks and opportunities faced by NSR and how NSR responds to these risks and opportunities are set out below. These are not the only risks and opportunities associated with NSR and are not in order of importance.

Key Risks and Opportunities	How NSR is responding
Strategic and Financial Performance The performance of our business is subject to various internal and external factors, which are addressed and mitigated through the establishment and delivery against effective strategic goals, regular and systemic monitoring and measurement of performance, and appropriate responses to changing economic conditions	- Continual strategy oversight and development by the Board, Managing Director, and Executive Management Team - Diverse centre portfolio located across Australia and New Zealand, providing a range of storage offerings to different customer types - An acquisitions and development pipeline aimed at optimising asset returns and upholding asset quality - Constant monitoring of the market to ensure pricing and terms remain competitive - A well-structured investment authorisation procedure - Considerate management of customer relationships - Highly developed marketing and management systems in place to generate new customer enquiries and maximise conversion and maintain and build occupancy - Active assets life cycle planning, asset management, refurbishment programs and maintenance activity - Methodical valuation process - Prudent capital management - Continual market analysis and monitoring - Active risk management - Transparency and communication with securityholders and stakeholders - Sustainable practices and initiatives - Comprehensive insurance coverage
Environmental and Climate Change NSR's long-term commitment to limiting its environmental impacts, enhancing social sustainability, and maintaining good governance (ESG) which is demonstrated by how we address potential risks and opportunities through our centre operations, stakeholder engagement, and overall management	- Developing a strategy towards carbon-neutrality - Re-assessment of sustainability materiality matrix, at least annually - Dedicated ESG Committee implementing environmental and climate related risk mitigation strategies, - Regular review process for centres to ensure such impacts or their likelihood is mitigated where possible - Comprehensive Disaster Recovery and Business Continuity Plan and procedures - Active engagement with stakeholders on ESG matters,

Key Risks and Opportunities	How NSR is responding
	- Climate related-risks and potential financial impacts assessed within NSR's enterprise-wide Risk Management Framework - Alignment with the Task Force on Climate-related Financial Disclosures' recommendations - Commitment to combat modern slavery - Monitoring changing regulatory environment
Economic and market conditions Changing rates of economic growth and market activity can impact Group performance, as can changing consumer practices and trends, including the housing market, population and migration growth, unemployment, wage growth, the rate of inflation, and consumer sentiment	- Maintaining a nimble and proactive business approach - Disciplined cost management - Proactive monitoring of the economy and industry - Ongoing economic and business research - Standing strategic consideration in all investment decisions
Capital Management Maintaining a strong and appropriate capital structure underpins NSR's ability to deliver on its strategy and meet its objectives. The importance of appropriate capital management is reflected in NSR's capital structure, which is conservative, well diversified and has appropriate levels of headroom and liquidity	- Maintaining an appropriate capital structure commensurate with an investment grade balance sheet, ensuring the structure meets the business needs and can withstand changing economic or financial conditions - Managing liquidity and maintaining a debt structure which is appropriately diversified by counterparty, tenor, funding sources, and debt instrument - Managing gearing and monitoring financial covenants - Proactive monitoring and approach to interest rate risk management, including hedging - Appropriate limits on foreign currency exposure - Active management and limits of counterparty credit risk exposures related to borrowing/funding, derivatives/hedges, and surplus cash investments Strong compliance program
Acquisitions The expansion of our portfolio footprint within strategic locations provides economies of scale and increases our storage offerings to customers and promotes further brand awareness	- Dedicated experienced Acquisitions Team - Maintenance of long-standing relationships with key service providers - Thorough acquisition due diligence and assessment process - Dedicated Due Diligence Committee to assess the appropriateness of assets, with the Board ultimately responsible for approving any proposal
Developments By considering the risks related to the terms of the transaction at the time as well as the prevailing micro and macro-economic environment, our development pipeline continues to provide NSR with new, purpose built, high quality self-storage assets that expand our portfolio offerings and meeting our sustainability criteria	- A disciplined and comprehensive due diligence, feasibility, sensitivity analysis and legal review approval process - Strategic tender, procurement, and consultant engagements - Experienced management and sufficiently resourced and skilled internal team - Thorough systems and processes with regular reviews, optimisation, and interdepartmental accountability - Implementation of a clearly articulated development risk tolerance framework
Technology, Cyber and Data Security Our use of advanced cyber security systems, industry specific processes, and experienced consultants enables us to mitigate the risk of data loss or damage, legal exposure, and cyber-attacks, and further enhance the effectiveness of these mitigation measures	- Appropriately skilled and experienced Board, Audit and Risk Committee, and Cyber Security Steering Committee with oversight of cyber and data security strategy - Comprehensive Cyber Security Program, including cyber security risk management and treatments - External Chief Information Security Officer (CISO) - Regular review and development of policies, guidelines, and procedures addressing new and emerging cyber risks - Disaster Recovery and Business Continuity Plan - Monitoring, penetration testing, phishing exercises, additional security testing and staff education program - Regular updates to technology hardware and software

Key Risks and Opportunities	How NSR is responding
	- Risk assessments and ongoing alignment with ISO 27001 - Internal and external audits
Health, Safety and Wellbeing Our alignment with health and safety standards and regulations safeguards our employees, our customers and our contractors from potential health and safety risks, in accordance with our safety vision of 'no harm to anyone at any time'	- Comprehensive health and safety management systems. - Active monitoring of health and safety best practices and developing regulations - Ongoing scheduled training of our employees - Continual re-assessment and annual testing of our Disaster Recovery and Business Continuity Plan
Compliance and regulatory Ensuring NSR maintains best practice governance and compliance practices	- Experienced Executive Management Team, supported by internal expertise - Active management of comprehensive Compliance Plan, in accordance with the requirements of the Corporations Act 2001 (Cth) - Continuous monitoring of developments in regulatory environment - Internal committees to monitor key compliance risks - Scheduled annual review and enforcement of all compliance policies - Regular compliance reporting, internal audits and annual external compliance audit program - Ongoing training and continuous professional development
Personnel Our people are at the heart of our business hence why we promote a conducive environment that prioritises the safety and well-being of our employees, customers, and contractors at our centres, while proactively addressing events that may pose risks to business continuity	- Our core values underpin all aspects of our business, with new starters trained during the induction process and existing staff trained on an annual basis - Stable, committed, skilled and experienced Executive Management Team, with ongoing succession and strategic workforce planning - Dedicated People and Culture team conducting benchmarking to ensure competitive remuneration, supported by external advisors when required - Diversity and inclusion targets - Evolving wellness offerings - Quarterly check-ins for all employees - Annual employee engagement survey - Ongoing monitoring of risk culture and conduct - Annual reporting to the Workplace Gender Equality Agency

DIRECTORS

NATIONAL STORAGE HOLDINGS LIMITED

The NSH Directors in office during the Reporting Period and at the date of this Directors' Report:

NAME	APPOINTED	POSITION
Anthony Keane	1 November 2013	Non-Executive Chairman
Andrew Catsoulis	1 November 2013	Managing Director
Howard Brenchley	21 November 2014	Non-Executive Director
Steven Leigh	21 November 2014	Non-Executive Director (Retired 26 October 2022)
Scott Smith	1 July 2022	Non-Executive Director
Inmaculada Beaumont	1 July 2022	Non-Executive Director
Claire Fidler	18 July 2017	Executive Director

NATIONAL STORAGE FINANCIAL SERVICES LIMITED (NSFL)

The Directors of NSFL in office during the Reporting Period and at the date of this Directors' Report:

NAME	APPOINTED	POSITION
Anthony Keane	18 July 2014	Non-Executive Chairman
Andrew Catsoulis	18 July 2014	Managing Director
Howard Brenchley	8 September 2015	Non-Executive Director
Steven Leigh	8 September 2015	Non-Executive Director (Retired 26 October 2022)
Scott Smith	1 July 2022	Non-Executive Director
Inmaculada Beaumont	1 July 2022	Non-Executive Director
Claire Fidler	18 July 2017	Executive Director

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Boards of National Storage Holdings Limited and National Storage Financial Services Limited

Anthony Keane, Independent Non-executive Chairman
BSc (Maths), Grad Dip Corp Fin, GAICD

Anthony is an experienced finance and business executive with an extensive background in banking and business management. Prior to accepting his directorship with National Storage, Anthony held numerous leadership roles with a major trading bank principally in business, corporate and institutional banking. He is actively involved in the business community through Non-Executive Director and Advisory Board roles, and finance advisory consultancies.

Anthony is a Director of ASX listed EMvision Medical Devices Ltd (EMV). Anthony has a Bachelor of Science (Mathematics) from University of Adelaide and a Graduate Diploma in Corporate Finance from Swinburne. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors and a Fellow of the CEO Institute.

Anthony is Chair of the Nomination Committee and is a member of the Audit and Risk Committee and Remuneration Committee.

Andrew Catsoulis, Managing Director
BA, LLB, Grad Dip Proj Mgmt (Hons)

As founder of the National Storage business, Andrew has over 25 years' of specific self-storage industry expertise including in the areas of acquisitions, developments, integration and operation of 'greenfield' and developed self-storage centres. Andrew is a qualified solicitor who has been admitted to the Supreme Court of Queensland. He has had extensive experience in the fields of finance, commercial and property law during his tenure at major law firms both in Australia and overseas. He is also a qualified project manager and has considerable property development experience both within the storage industry and in broader markets.

Andrew was instrumental in the successful development, acquisition and consolidation of the original portfolio of storage centres that formed the genesis of National Storage and led the company through the IPO of NSR. He also planned and negotiated the acquisition of the Southern Cross portfolio in 2016. He has led the company in its growth from a single centre in 1996 to approximately 230 centres today and has been primarily responsible for charting its strategy over that period.

Howard Brenchley, Independent Non-executive Director
BEC

Howard has over 35 years' involvement in the Australian property industry, as an analyst, investor and fund manager. Howard cofounded Property Investment Research Pty Ltd (PIR) in 1989, which during the 1990s was considered a leading researcher of both listed and unlisted property funds. In 1998 Howard was instrumental in establishing the funds management business of APN Property Group Limited. During this period, he was responsible for the establishment and operations of a number of funds investing both directly and indirectly in real estate.

Since 1998, Howard has been a director (or the director of the responsible entity) of numerous listed and unlisted real estate investment vehicles.

Howard is Chair of the Audit and Risk Committee and is a member of the Nomination and Remuneration Committees.

Inmaculada (Inma) Beaumont, Independent Non-Executive Director
BA (Mathematics), BA Hons (Economics and Commerce), FCCA, GAICD

Inma brings her commercial acumen and diverse range of experience to the NSR board. As a senior finance executive, she has had leadership roles spanning Financial Control, Internal Audit and Risk Management within top multinationals in Energy, FMCG and Banking. In addition, she has governance experience as Chair of Finance, Audit and Risk Committees across several boards where she has a record of delivering revenue growth. More recently, she has led marketing, public relations and stakeholder engagement teams. Inma is culturally and linguistically diverse and brings a different perspective to the board of NSR.

Inma is currently a non-executive director of UN Women Australia. She holds a BA (Mathematics) and BA Hons (Economics and Commerce) from the University of Valencia, Spain, is a Fellow of the Association of Chartered Certified Accountants and is a Graduate of the Australian Institute of Company Directors.

Inma is a member of the Audit and Risk, Nomination, and Remuneration Committees.

Scott Smith, Independent Non-Executive Director
BBus (Marketing)

Scott has over 25 years' experience in the Technology and Telecommunications sector across the Asia Pacific region, including a breadth of experience gained from working for large global telecommunication organisations before founding his own successful managed service provider company. Scott holds a Bachelor of Business (Marketing) from the Queensland University of Technology and has extensive experience in technology and leadership positions. Having successfully co-founded Comlinx (Managed Service Provider) in 2006, he went on to sell that business to ASX listed Telecommunications provider Over the Wire (ASX: OTW) in 2018 and continued in the senior leadership team, taking over the role of CEO of OTW in February 2020. OTW has subsequently been sold to Aussie Broadband (ASX: ABB).

Presently, Scott serves as a consultant in the technology industry and is on the Advisory Board of Heal Inc, a San Francisco-based software company specialising in AiOps and Machine Learning capabilities. Additionally, he is actively involved in various Corporate Advisory engagements and early-stage technology investments.

Scott is Chair of the Remuneration Committee and is a member of the Audit and Risk Committee and Nomination Committee.

Claire Fidler, Executive Director
LLB (Hons), B Bus (Int), GAICD, FGIA

Claire was appointed an Executive Director in July 2017 and has been the Company Secretary of National Storage since November 2015. She was appointed Head of Legal & Governance in June 2020 and oversees the legal, governance and risk functions of the organisation. Claire holds legal and international business qualifications and is admitted as a solicitor of the Supreme Court of Queensland. Claire has twenty years' experience in corporate and commercial law, both in private practice and in-house.

She practiced in the litigation, resources, and corporate areas of two large law firms and as Corporate Counsel and Company Secretary at Rio Tinto Coal Australia, prior to joining National Storage. Claire has also worked in corporate compliance with the Australian Securities and Investments Commission. Claire is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by current Directors in the three years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Howard Brenchley	APN Property Group (ASX:APD)	1998 – 13/08/2021
	Dexus Asset Management Limited previously known as APN Funds Management Limited, responsible entity for: Dexus Industria REIT (ASX:DXI) previously known as APN Industria REIT (ASX:ADI) Dexus Convenience Retail REIT (ASX:DXC) previously known as APN Convenience Retail REIT (ASX:AQR)	03/12/2013 - 17/10/2022 27/12/2017 - 17/10/2022
Anthony Keane	EMvision Medical Devices Ltd (ASX:EMV)	11/12/2018 – Current

DIRECTORS' INTERESTS IN NSR SECURITIES

As at the date of this Directors' Report, the interests of the Directors (including indirect interests) in the stapled securities of NSR were:

DIRECTOR	DIRECT	INDIRECT	PERFORMANCE RIGHTS	TOTAL
Anthony Keane	11,595	242,870	-	254,465
Andrew Catsoulis	500,000	14,765,230	728,400	15,993,630
Howard Brenchley	-	135,200	-	135,200
Scott Smith	-	154,958	-	154,958
Inmaculada Beaumont	37,449	-	-	37,449
Claire Fidler	139,025	14,494	145,700	299,219

No options over issued stapled securities or interests in a Controlled Entity have been granted in NSR during the Reporting Period. There are no options in stapled securities outstanding as at the date of this report.

DIRECTORS' MEETINGS

The number of meetings of directors of NSH (including meetings of sub-committees of directors) held during the Reporting Period and the number of meetings attended by each director were as follows:

DIRECTOR	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Anthony Keane	12 (12)	6 (6)	8 (8)	5(5)	3 (3)
Andrew Catsoulis	12 (12)	-	-	-	-
Howard Brenchley	12 (12)	6 (6)	8 (8)	5 (5)	3 (3)
Inma Beaumont	11 (12)	6 (6)	6 (6)	3 (3)	2 (2)
Scott Smith	12 (12)	6 (6)	6 (6)	3 (3)	2 (2)
Steven Leigh (retired 26/10/2022)	5 (5)	2 (2)	3 (3)	2 (2)	1 (1)
Claire Fidler	12 (12)	-	-	-	-

Notes:

- Figures in brackets indicate the number of meetings held whilst the director was in office or was a member of the relevant Committee during the Reporting Period. Figures not in brackets indicate the number of meetings or Committee meetings that the director attended.
- Mr. Catsoulis and Ms Fidler attend Nomination, Remuneration, Risk and Audit, and Risk Committee meetings by invitation.
- The Audit Committee and the Risk Committee amalgamated to form the Audit and Risk Committee effective 1 July 2023.
- The Company has an Investment Committee Charter to govern an Investment Committee. The Board has determined that at this time, the full Board will act as the Investment Committee and therefore there are no separate Investment Committee meetings noted.

COMPANY SECRETARY

NATIONAL STORAGE HOLDINGS LIMITED

NAME	APPOINTMENT DATE
Claire Fidler	26 November 2015

NATIONAL STORAGE FINANCIAL SERVICES LIMITED

NAME	APPOINTMENT DATE
Claire Fidler	26 November 2015

Claire Fidler
LLB (Hons), B Bus (Int), GAICD, FGIA

Refer to page 26

CORPORATE GOVERNANCE

NSH and the Responsible Entity have their own respective Boards and constitutions. The relationship between NSH and the Responsible Entity is governed by a Cooperation Deed and Management Agreement that allows NSH to provide key services to NSFL as Responsible Entity in exchange for a monthly fee. These services include finance and administrative services, property management, provision of staff and equipment.

The NSH and Responsible Entity Boards and NSH management are committed to achieving and demonstrating to securityholders high standards of corporate governance and to ensuring NSH acts in the best interests of its securityholders, balanced with its broader community obligations.

An important component of the NSR's approach and corporate governance structure is the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (the "ASX Recommendations"). A statement of the extent of NSR's compliance with the ASX Recommendations can be viewed on the NSR website at www.nationalstorageinvest.com.au/governance. Full copies of all NSR governance policies and Charters can also be found in the Governance section of the website.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors and executive officers of the Company and its group entities to the extent permitted by law, for the amount of any liability, loss, cost, charge, damage, expense or other liability suffered by the Director or executive officer as an officer of the Company or group entity or as a result of having been an officer of the Company or any Group entity. This includes any liability arising out of or in connection with any negligence, breach of duty, or breach of trust ("Indemnity").

However, the Indemnity does not extend to a claim in the nature of:

- (a) a challenge to any rejection of a Director's claim by the provider of the Company's insurance cover; or
- (b) a cross-claim or a third-party claim for contribution or indemnity in, and results directly from, any Proceedings in respect of which the Director has made a claim under the Indemnity.

Deeds of indemnity to give effect to the above have been formally entered into by the Company and each of the Directors.

The Deeds of Indemnity require the Company to obtain a back-to-back indemnity to the Company from the Responsible Entity out of the assets of the NSPT. This has been procured by the Company and is in place. The back-to-back indemnity requires the Responsible Entity to indemnify the Company for any liability under the Directors/Officers indemnity to the extent that the Company is not able to meet that obligation. The indemnity does not extend to any payment made or due as a result of a breach by the Company of its obligations under a Director/Officer indemnity or to any payment which the Company makes voluntarily but is not due and payable under the terms of a Director/Officer indemnity.

The total amount of insurance contract premiums paid for Directors and Officers insurance for NSR (including subsidiary entities) during the Reporting Period was \$1,665,364.

No insurance premiums are paid out of the assets of the NSPT regarding insurance cover provided to either the Responsible Entity or the auditors of the NSPT. So long as the officers of the Responsible Entity act in accordance with the constitution and the law, the officers remain indemnified out of the assets of the NSPT against losses incurred while acting on behalf of the NSPT. The auditors of the NSPT are in no way indemnified out of the assets of the NSPT.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made or claim received by NSR to indemnify Ernst & Young during the Reporting Period or up to the date of this report.

REMUNERATION REPORT (AUDITED) – NSH GROUP

MESSAGE FROM THE BOARD

The NSH Board is committed to ensuring that its remuneration arrangements are structured to support and reinforce NSR's overall business strategy, are consistent with the requirements of good governance standards, and meet the expectations of investors and other stakeholders. By linking the Short-Term Incentive ("STI") and Long-Term Incentive ("LTI") (both "at risk" remuneration) of executive remuneration to the drivers that support NSR's business strategy including financial, governance, cultural and community measures, the remuneration of NSR's executives is aligned with the creation of long-term value for securityholders. The Board believes that the remuneration practices of NSR should fairly and responsibly reward Key Management Personnel ("KMP") with regard to their individual performance, the performance of NSR, and the broader external environment as it relates to KMP reward.

FY23 PERFORMANCE AND REMUNERATION OUTCOMES

The FY23 year was another year of record performance for NSR. Despite challenging economic and market conditions, NSR produced 8.5% underlying earnings growth to 11.5cps and declared a distribution of 11.0cps, a high level of distributions to shareholders compared to the ASX 200 A-REIT index. NSR's Total Shareholder Return (TSR) also significantly outperformed the ASX 200 A-REIT index over this same period of time with NSR being ranked number five for the 3 years to 30 June 2023, delivering 42% TSR over the period. Further detail on NSR's performance in FY23 has been set out on page 31. NSR's long term success from both a yield and TSR perspective is closely linked to the high levels of commitment and overall performance displayed by its executive team.

REMUNERATION REVIEW AND FY24 CHANGES

The remuneration policy also aims to provide a platform for sustainable value creation for securityholders by attracting, motivating, and retaining its quality KMP.

NSR's remuneration framework has evolved over time and in response to stakeholder feedback, and uses the following key objectives as the basis for the executive remuneration:

- Increase the 'at-risk' component of total remuneration across the KMP;
- Provide an increased alignment between KMP and securityholders' interests by utilising equity-based structures as part of total remuneration arrangements;
- Structure remuneration in such a way as to enhance KMP retention, given the small team of key executives comprising the KMP, the specialised nature of the business and the increased competitive landscape for high quality executives;
- Provide greater transparency on the short-term and long-term performance measures to align with securityholder expectations; and
- Increased alignment with the A-REIT direct comparator group

During the reporting period, the Board engaged external remuneration consultants to conduct benchmarking on executive KMP remuneration. As a result of this benchmarking exercise, increases to fixed remuneration and "at-risk" were made for the MD, CFO and HoLG in recognition of their tenure, continued performance, expansion of roles and duties as well as the significant growth in NSR's market capitalisation. Commencing 1 July 2023, fixed remuneration will increase by 6.0% for the MD, the CFO by 7.6% and the HoLG by 10.5%.

Additionally, some minor increases in "at-risk" rewards were made to the executives' total remuneration packages to align with the market and comparator peers. This includes an increase in the MD's LTI opportunity to be a greater emphasis in the overall pay package. The MD's STI and LTI opportunities were increased to 100% and 105% of fixed remuneration respectively (previously 95% and 95% of fixed remuneration). The CFO's STI and LTI opportunities were increased to 80% and 70% respectively (previously 70% and 70% of fixed remuneration). The HoLG's STI and LTI opportunities were increased to 65% and 55% respectively (previously 55% and 55% of fixed remuneration).

COVERAGE OF THIS REPORT

The following remuneration report has been prepared to provide information to NSR securityholders of the remuneration details of the KMP of NSH involved in the management of NSH and the NSPT.

Directors of the Responsible Entity do not receive any remuneration from the Responsible Entity in respect to their roles with the Responsible Entity. However, the director fees paid by NSR take into account the complexity involved, and additional duties required to be undertaken, in relation to the operation of the Responsible Entity as a subsidiary of NSH and as part of the consolidated governance group. The Responsible Entity receives a fee for management services rendered.

This information has been audited as required by section 308(3C) of the Act.

KMP are defined as “those persons having authority and responsibility for planning, directing and controlling the major activities of NSH, the Consolidated Group and the NSPT, directly or indirectly, including any director (whether executive or otherwise) of NSH.”

Key management personnel covered in this report are as follows:

NON-EXECUTIVE AND EXECUTIVE DIRECTORS

Anthony Keane	Independent Non-Executive Chairman
Andrew Catsoulis	Executive Managing Director (“MD”)
Howard Brenchley	Independent Non-Executive Director
Inmaculada Beaumont	Independent Non-Executive Director (Appointed 1 July 2022)
Scott Smith	Independent Non-Executive Director (Appointed 1 July 2022)
Claire Fidler	Executive Director and Head of Legal & Governance (“HoLG”)
Steven Leigh	Independent Non-Executive Director (Retired 26 October 2022)

KEY MANAGEMENT PERSONNEL – SENIOR EXECUTIVES

Stuart Owen	Chief Financial Officer (“CFO”)
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REMUNERATION OVERVIEW

REMUNERATION PRINCIPLES

Attraction and retention	At-risk	Securityholder alignment	Transparency
Attract and retain high quality executives and to reward the capabilities and experience brought to NSR by those executives.	Total reward for key executives is to have a significant “at risk” component, including both short term incentives (“STI”) and long-term incentives (“LTI”) which have a strong focus on quantitative and non-quantitative measures.	Provide industry competitive rewards linked to security holder returns and aligned with NSR’s performance in comparison to it’s a-REIT comparator group.	Remuneration policies and structures must be clear and transparent both to the executives and Board of NSR and to securityholders.

REMUNERATION STRUCTURE (FY24)

Delivery	Fixed reward		At-risk reward		
	TFR	STI		LTI	
	Cash	Cash (70%)	Scrip (30%)	Performance rights (70%)	Cash (30%)
Details	• Comprised of base salary and superannuation	• Paid in a combination of cash and scrip • Scrip component - Scrip price set as the 30-day VWAP to 30 June 2023 - escrowed for 12 months		• LTI is subject to a 3-year performance period • Measures: - Relative Total Shareholder Return (rTSR) (ASX 200 A-REIT index comparator group) – 70% - Underlying Earnings per share (EPS) – 30%	
Link to remuneration principles	Assists attraction and retention through competitive remuneration	Incentivises group and individual performance through at-risk pay against financial and non-financial targets		Aligns executive remuneration with long-term securityholder value	

PAY MIX

The composition of total annual remuneration (TAR) for the year ending 30 June 2023 for KMP is detailed in the table below.

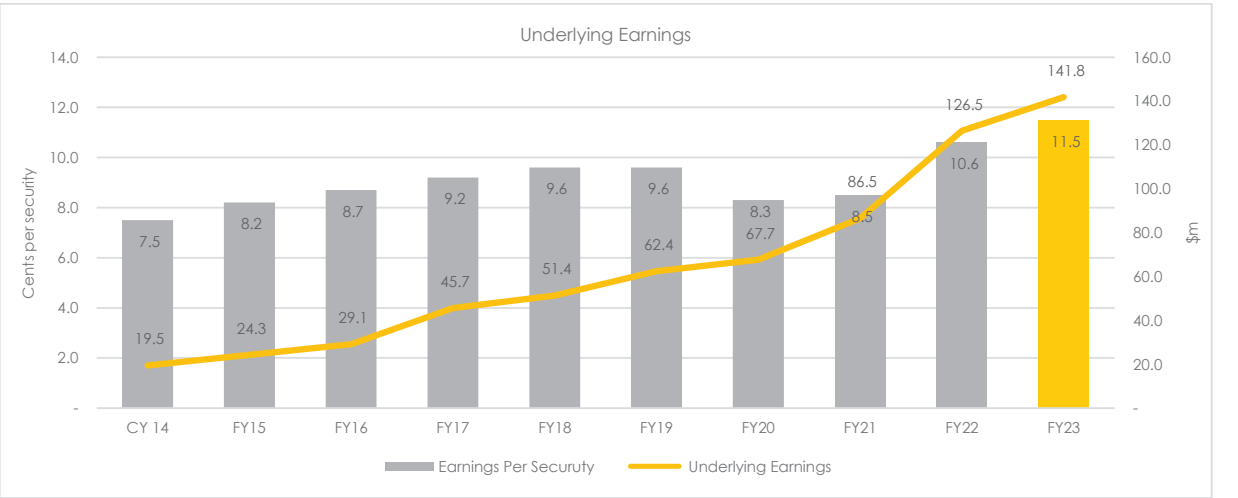
KMP	TFR	STI	LTI	STI as % of TFR	LTI as % of TFR
Andrew Catsoulis (MD)	34.4%	32.8%	32.8%	95.0%	95.0%
Stuart Owen (CFO)	41.2%	29.4%	29.4%	70.0%	70.0%
Claire Fidler (HoLG)	47.8%	26.1%	26.1%	55.0%	55.0%

The structure has been adjusted slightly as a result of the remuneration review, with an increased emphasis on “at-risk” remuneration. The table below reflects the new structure and is consistent with NSR’s policy objectives for executive TAR for the year commencing 1 July 2023 as outline above.

KMP	TFR	STI	LTI	STI as % of TFR	LTI as % of TFR
Andrew Catsoulis (MD)	32.8%	32.8%	34.4%	100%	105%
Stuart Owen (CFO)	40.0%	32.0%	28.0%	80%	70%
Claire Fidler (HoLG)	45.5%	29.5%	25.0%	65%	55%

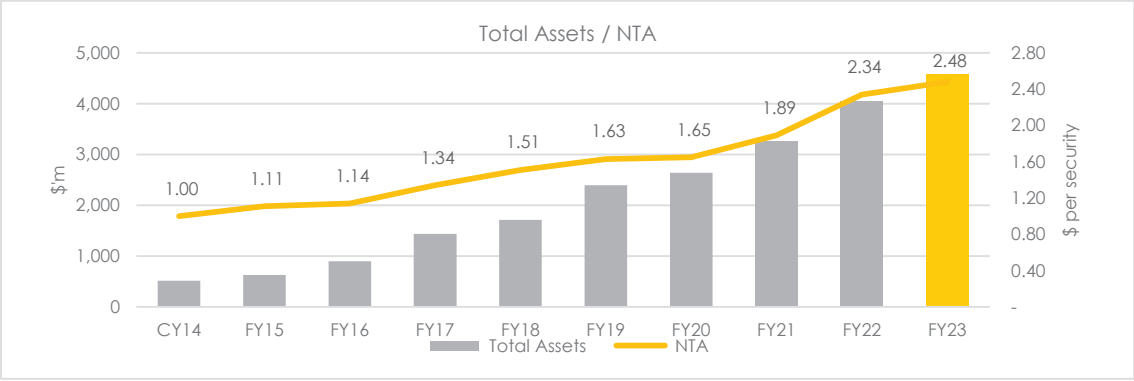
NSR PERFORMANCE

NSR has a long and established track record of consistent growth in underlying earnings, net tangible assets (NTA) and Investment Properties. Underlying earnings per stapled security (“EPS”) increased 8.5% in the 12 months to 30 June 2023 to a record high of 11.5cps, with underlying earnings increasing 12.1% to \$141.8m. The FY23 underlying EPS of 11.5cps exceeded the original EPS guidance of a minimum 5% growth (or 11.1cps) increase and reflects NSR’s ongoing REVPAAM growth, that has been achieved over the financial year. This growth in EPS was achieved despite dilution from the significant capital raising and SPP of \$340 million that was undertaken during the year. Group REVPAAM increased 3.6% to \$270m², consolidating the FY21 and FY22 increases, and establishing an opening FY24 REVPAAM that provides an exceptional base from which to deliver FY24 revenue growth. Rate per square metre achieved across the Group increased by 8.2% to \$319m² with 30 June 2023 Group occupancy of 85.0%. Occupancy across the 14 Let-up centres, being those centres that have been recently developed or expanded and operating at the commencement of the period, increased by 13.8% to 58.7%, with total occupancy across the portfolio now sitting at 81.8%.



NTA has increased by 6% during the year to \$2.48 per stapled security, principally driven by improvements in operational performance at an individual centre level, with the weighted average capitalisation rate expanding moderately from 5.86% as at 30 June 2022 to 5.91% at 30 June 2023 with the uplift in valuation and NTA being derived from improved operational performance of the assets. Capitalisation rates, supported by independent third party valuations, are holding at similar levels to 30 June 2022 despite the uncertainty in interest rate markets and increasing bond yields, reflecting the strong position that self-storage assets have within the real estate markets globally.

The value of Investment Properties has increased by \$561 million or 15% to \$4.3 billion over the 12 months to 30 June 2023, with total assets now approaching \$4.6b. These results have been achieved through the disciplined management of NSR’s operations and the ongoing success of its “Four Pillar” growth strategy. The consistent and considered approach to driving underlying earnings through a combination of organic growth from existing assets as well as acquisitions, developments and expansion activity, overlayed by a focus on technology and innovation, along with a focus on sustainable business practices has been instrumental in achieving this exceptional result.



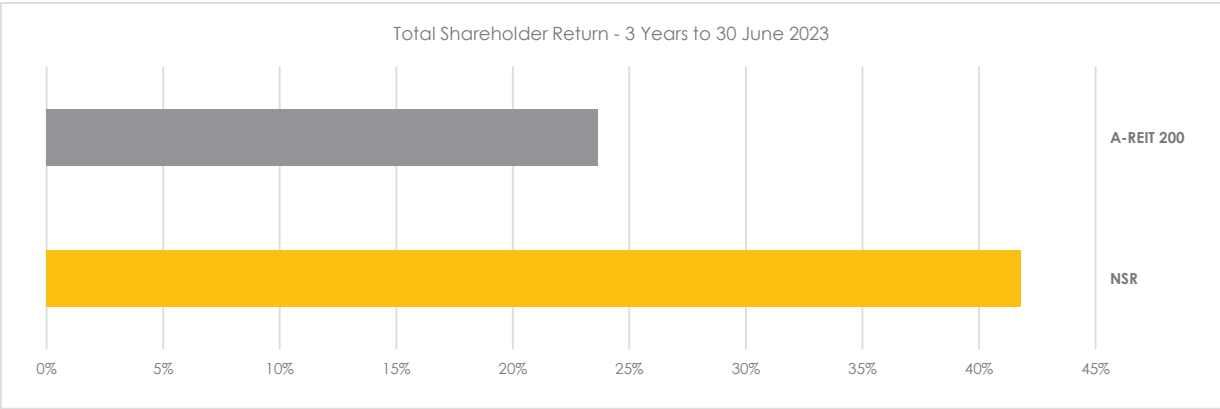
NSR has executed on its successful growth strategy with a total of 33 acquisitions in FY23, including the acquisition of 10 storage centres, the freehold of one previously leasehold storage centre and 22 development sites totalling \$234 million. These acquisitions have been funded through a combination of the significant capital raising and security purchase plan (SPP) of \$340 million that was undertaken during the year, as well as additional debt facilities which were successfully expanded and refinanced during the Reporting Period. Delivery on development, expansion and redevelopment strategy has seen 45 projects in various stages of design and construction. In addition, NSR has successfully completed 4 new developments and expansion projects during the Reporting Period adding over 20,200m² of NLA.

The highly successful \$340 million capital raising was undertaken by way of an institutional placement for \$300 million and security purchase plan for \$40 million at a modest discount to last close immediately prior to the raising of 4%. In addition, NSR successfully expanded and refinanced its debt facilities during the Reporting Period to extend tenor, add diversity to funding sources and increase available facilities. This included NSR's first Syndicated Term Loan facility involving 16 new and existing banks, raising \$400 million equally split between five and seven year maturities. This debt was competitively priced and was heavily oversubscribed. NSR's independent credit rating was affirmed during the Reporting Period, supporting the unsecured debt platform, providing greater flexibility and access to sources of debt funding. NSR's gearing ratio at 30 June 2023 remained conservative at 20%, providing significant balance sheet capacity to fund NSR's further growth. NSR has a historically low level of gearing, which it believes to be a significant advantage and an important consideration in these uncertain times.

NSR has maintained a distribution policy that targets distribution of 90% - 100% of underlying earnings to securityholders. During the Reporting Period, NSR declared distributions totalling 11.0 cents per stapled security an increase of 10.0%, on FY22, representing a payout ratio of 96%.

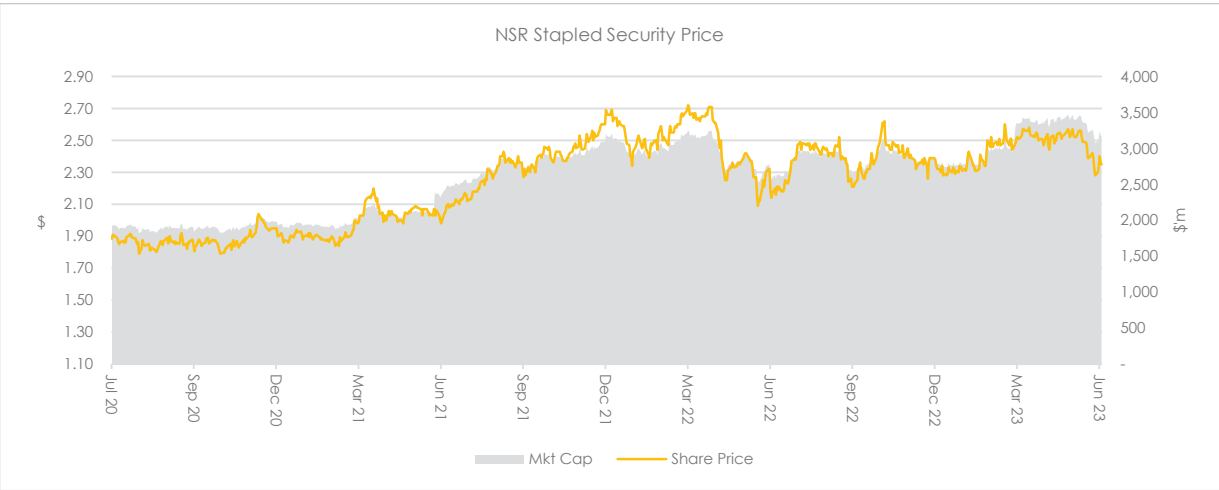
NSR was ranked number 5 out of 29 for Total Shareholder Return "TSR" (a combination of share price growth and distributions received by securityholders) over the past three years to 30 June 2023, delivering TSR of 41.8%, nearly double that of the ASX 200 A-REIT TSR of 23.7%. Generally, the self-storage sector has demonstrated its highly resilient nature as a business during times of uncertainty and fluctuating economic conditions.

A combination of factors including a broad customer base, geographic diversity and short term tenancy arrangements, plus an increasingly diverse user universe and high demand from a variety of sources has underpinned the successful growth of the storage industry.

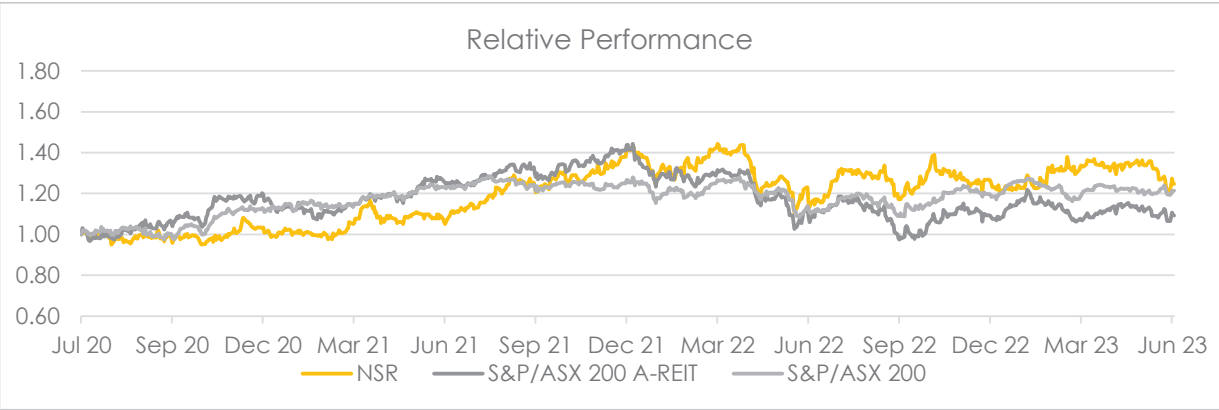


Source: Bloomberg
Note 1: Assumes Dividends are re-invested in underlying security
Note 2: Excludes securities not listed for the entire year

NSR share price closed on 30 June 2023 at \$2.35, increasing 9.8% from \$2.14 at 30 June 2022 with the market capitalisation of NSR now exceeding \$3.16 billion as at 30 June 2023.



Security price performance over the period 1 July 2020 to 30 June 2023 has shown a 25% increase. This compares to a increase of 9% for the ASX 200 A-REIT index and 21% for the broader ASX 200 Index over the same period.



FY23 REMUNERATION OUTCOMES

Short-term and long-term incentives in place during reporting period:
The KMP were eligible for payment of STI's and LTI's for the financial year ended 30 June 2023 in accordance with the incentive program outlined in the 2022 Annual Report. The assessment criteria for the program and performance against those criteria are outlined below. Incentives achieved for the year ended 30 June 2023 will be paid through a combination of cash and scrip.

To compensate for performance against financial and operational objectives, the STI's and LTI's were agreed upon with the KMP with the minimum payable being zero and maximum payable for FY23 in accordance with the table below, in aggregate for all KMP.

KMP	STI as % of TFR	STI AMOUNT	LTI as % of TFR	LTI AMOUNT	TOTAL
Andrew Catsoulis (MD)	95.0%	\$1,190,000	95.0%	\$1,050,000	\$2,240,000
Stuart Owen (CFO)	70.0%	\$470,000	70.0%	\$400,000	\$870,000
Claire Fidler (HoLG)	55.0%	\$260,000	55.0%	\$190,000	\$450,000
Total		\$1,920,000		\$1,640,000	\$3,560,000

The STI and LTI are payable via a combination of cash, scrip and performance rights. The STI is payable 70% in cash and 30% in scrip, with the scrip price being set as the 30-day VWAP to 30 June 2022 (the commencement of the STI period) to further align the with this "at-risk" component with securityholders. The LTI is payable 30% in cash and 70% via the pervious issued FY23 performance rights. The maximum amounts payable are outlined in the below.

KMP	STI CASH (\$)	STI SCRIP (\$)	SCRIP @ \$2.2589	LTI CASH (\$)	LTI PERFORMAN CE RIGHTS (\$)	PERFORMAN CE RIGHTS
Andrew Catsoulis (MD)	\$833,000	\$357,000	158,042	\$315,000	\$735,000	359,600
Stuart Owen (CFO)	\$329,000	\$141,000	62,420	\$120,000	\$280,000	137,000
Claire Fidler (HoLG)	\$182,000	\$78,000	35,531	\$57,000	\$133,000	65,100
Total	\$1,344,000	\$576,000	254,993	\$492,000	\$1,148,000	561,700

The STI and LTI hurdles included:

- Underlying earnings equal to or exceeding 11.1 cents per security
- TSR over the three-year period to 30 June 2023 being greater than the 50th percentile of the comparator group (ASX A-REIT 200)

The Board has assessed the performance of the Company and the KMP against the performance criteria and has determined that the following STI and LTI's have been earned and are payable, inclusive of statutory Superannuation amounts, for the period 1 July 2022 to 30 June 2023.

KMP	STI		LTI		TOTAL
	AMOUNT	% EARNED	AMOUNT	% EARNED	
Andrew Catsoulis (MD)	\$1,190,000	100.0%	\$1,050,000	100.0%	\$2,240,000
Stuart Owen (CFO)	\$470,000	100.0%	\$400,000	100.0%	\$870,000
Claire Fidler (HoLG)	\$260,000	100.0%	\$190,000	100.0%	\$450,000
Total	\$1,920,000	100.0%	\$1,640,000	100.0%	\$3,560,000

The Board regularly assesses both short-term and long-term incentives against a strict set of criteria and believes that delivering superior results to securityholders supports the above incentive payments.

Assessment of FY23 Outcomes

The assessment of the FY23 STI outcomes was considered against a predetermined set of assessment criteria. The criteria utilised for assessing the MD's FY23 STI were:

Element	Weighting	Metrics	Rationale	Achievement in FY23
Financial	70%	Underlying Earnings of 11.1cps (10% out performance if Underlying EPS >11.1cps - \$11.5cps)	Underlying EPS ensures alignment to the Consolidated Group's financial performance and securityholders' experience	Achievement: 100% A record high Underlying EPS of 11.5cps was achieved over the 12-month performance period, representing a year-on-year growth of 8.5%
Strategic	15%	Implementation of major projects	Delivering priorities consistent with the long-term strategies of the Consolidated Group under the "Four Pillars" strategy. The "Four Pillar" strategy aims to deliver securityholders a stable and growing income stream from a portfolio of geographically diversified high-quality self-storage assets	Achievement: 100% The Board considered the application of the stated strategy in the assessment: 1. Organic Growth - Exceeded FY23 EPS targets 2. Acquisitions 10 new storage centres, the freehold of one previously leasehold storage centre 22 development sites totalling \$243 million 3. Developments - Completed four developments adding over 22,200m² of NLA - Added 22 sites to the development and expansion pipeline 4. Technology and Innovation - WineArk customer management system upgrade completed
		Risk management		
		Innovation & enhancement of processes and procedures		

Element	Weighting	Metrics	Rationale	Achievement in FY23
Individual	15%	Undertaking all necessary investor relations activities expected of an ASX:200 listed entity	Individual KPIs are designed to foster and drive high-performance amongst the key executive team members. The KPIs are intended to cover duties and responsibilities relevant to individual executives across several key operational areas including but not limited to staff continuity/development, risk management and ESG	Achievement: 100% The Board considered the following in assessing individual KPIs for FY23: - No significant adverse feedback from investors on the quality of investor briefings or presentations or other major concerns. - All management reports delivered in accordance with agreed timeframe and of the quality expected for an ASX200 entity - No material errors in management reporting. - All key executive team members retained during the reporting period - LTIFR – maintaining a LTIFR at or below the industry benchmark was achieved - No reportable health, safety or environmental incidences during the reporting period
		Delivery of timely and accurate management reports		
		Maintenance of a suitable qualified executive team		
		Maintenance of best practice health, safety environmental practices		

The assessment of the FY23 LTI outcomes was considered against a predetermined set of assessment criteria. The criteria utilised were:

Metric	Weighting	Vesting Schedule	
Relative Total Shareholder Return (rTSR)	70%	RTSR when ranked to the comparator group of ASX 200 A-REIT Index	Scrip subject to rTSR hurdle that vest
		<50 th percentile	0%
		50 th percentile	50%
		>50 th - <75 th percentile	Pro-rata from 50%-100%
Earnings Per Share (EPS) Growth	30%	>=75 th percentile	100%
		EPS growth achieved over the performance period	Scrip subject to EPS hurdle that vest
		10.0cps	100%

In assessing performance against the criteria above the Board sourced NSR's TSR ranking (as outlined above) and determined that NSR ranked number five (82nd percentile) for TSR over the 3 year period to 30 June 2023, resulting in 100% of the TSR component being payable. The Board also determined that the FY23 Earnings Per Share (EPS) of 11.5cps satisfied that EPS component of the LTI, resulting in 100% of the EPS component being payable.

The STI will be paid in accordance with the payment structure outlined above with 70% being paid as cash and 30% paid as scrip which will be restricted for a period of 12 month. The LTI will also be paid in accordance with the payment structure outlined above with 30% paid as cash and 70% paid through the vesting of performance rights, with any unvested performance rights lapsing. Any performance rights vesting, given the three-year assessment period, will be issued free of restrictions. The table below outlines the cash, scrip and performance rights components of the FY23 STI and LTI. The scrip component will be calculated using the 30-day VWAP to 30 June 2022 of \$2.259.

STI Payable						
KMP	MAX STI \$	STI EARNED %	\$	CASH \$	STI PAYABLE SCRIP \$	SCRIP @ \$2.2589
Andrew Catsoulis (MD)	1,190,000	100.0%	1,190,000	833,000	357,000	158,042
Stuart Owen (CFO)	470,000	100.0%	470,000	329,000	141,000	62,420
Claire Fidler (HoLG)	260,000	100.0%	260,000	182,000	78,000	34,531
Total	1,920,000	100.0%	1,920,000	1,344,000	576,000	254,993

LTI Payable						
KMP	MAX LTI		LTI EARNED %	CASH \$	LTI PAYABLE RIGHTS VESTED	RIGHTS LAPSED
	CASH (\$)	RIGHTS (No.)				
Andrew Catsoulis (MD)	315,000	359,600	100.0%	315,000	359,600	-
Stuart Owen (CFO)	120,000	137,000	100.0%	120,000	137,000	-
Claire Fidler (HoLG)	57,000	65,100	100.0%	57,000	65,100	-
Total	492,000	561,700	100.0%	492,000	561,700	-

Total STI and LTI Payable					
KMP	CASH (\$)	SCRIP @ \$2.2589	RIGHTS VESTED	RIGHTS LAPSED	
Andrew Catsoulis (MD)	1,148,000	158,042	359,600	-	
Stuart Owen (CFO)	449,000	62,420	137,000	-	
Claire Fidler (HoLG)	239,000	34,531	65,100	-	
Total	1,836,000	254,993	561,700	-	

The issue of scrip to directors requires shareholder approval under the ASX Listing Rules and as such resolutions to approve the issues for the MD and HoLG will be included in the Notice of Meeting for the upcoming Annual General Meeting. Should shareholder approval not be attained the amounts will be paid as cash.

NSR REMUNERATION FRAMEWORK

KEY MANAGEMENT PERSONNEL - EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The primary objective of the remuneration arrangements for executive directors and senior executives is to motivate, incentivise and retain key employees whilst creating maximum alignment with corporate and stakeholder best interests. All remuneration paid to executive directors and senior executives comprises four components:

- Base pay and benefits (including superannuation)
- Short-term performance incentives
- Long-term performance incentives
- Other remuneration (if applicable)

Base salary and benefits

The Managing Director and senior executives are paid a base salary that includes employer contributions to superannuation funds. Remuneration is reviewed annually and there is no guarantee of base salary increases.

The NSR executive management team has successfully navigated numerous significant micro and macro challenges, achieving an outcome which is acknowledged to be one of the best performances in the A-REIT sector from both an operational earnings and security price performance perspective.

The FY24 remuneration increases consider the senior executives' highly demanding roles, their increasing tenure, high degree of competency in their respective areas as well as the sector specifics of their individual roles and the significant increase in the size of the company from both an operational and market capitalisation perspective. The team assembled is highly competent, cohesive, collaborative and has the capacity to successfully manage and drive business growth well into the future. This growth involves the evolution of NSR's existing strategies as well as NSR embracing new strategies, designed to build on its existing market and storage sector leadership as well as increasing its competitiveness in all areas of the business including technological innovation and advancement. The executive team has consistently demonstrated its willingness to make decisions in the best long-term strategic, corporate and securityholder interests of NSR.

Independent remuneration consultant SW Corporate was engaged during the Reporting Period to provide benchmarking against the ASX200 A-REIT index and ASX75-125. Previous benchmarking had focused on comparisons against the ASX200 A-REIT index and ASX100-200, however given NSR is approaching inclusion in the ASX100 it was determined that the ASX75-125 would be a more representative and appropriate group for comparison.

The Board has elected to position TFR and TR within the 25th to 50th percentile range of the comparator group. In general, the review concluded that against the ASX75-125 comparator group, incentive opportunity levels, particularly the STI, are generally low against comparable roles, reducing the overall competitiveness of the total package, despite NSR's overall performance which is at the upper end of its comparator group. As a result, TR for all roles is below the desired positioning of the median. Against NSR's REIT peers however, TFR and TR is more competitive against this group, however low STI opportunity persists.

After considering the SW Corporate report, and all other internal and external factors, the Board determined that the aggregate fixed remuneration for the KMP for the year commencing 1 July 2023 will increase as per the table below.

KMP	FY23 TFR	FY24 TFR	% CHANGE
Andrew Catsoulis (MD)	\$1,250,000	\$1,325,000	6.0%
Stuart Owen (CFO)	\$660,000	\$710,000	7.6%
Claire Fidler (HoLG)	\$475,000	\$525,000	10.5%

Short-term and long-term incentives

KMP senior executives may also be entitled to participate in the STI and LTI programs that are in place from time to time. The incentive programs are at the discretion of the Board and do not constitute an entitlement under the executive service agreements of the respective KMP. Total incentive programs are assessed against a broad comparator group and adjusted to reflect factors such as the criticality of the role, experience, length of service and NSR's positioning within the comparator group including the ASX200 A-REIT index and ASX75-125.

Short-Term Incentive (STI)

The STI contains four separate elements that will be assessed independently of the other elements. The STI is an annual incentive and will be paid in accordance with the payment structure outlined below.

ELEMENT	PERCENTAGE OF STI	CRITERIA
Financial	70%	Achieve Underlying Earnings as determined by the Board
Financial – Out Performance*	10%	Exceeding Underlying Earnings targets
Individual KPI's	15%	Individual performance criteria set in conjunction with MD/Board Assessment in accordance with performance in the following areas: • Implementation of major projects • Staff continuity • Risk management • Innovation and enhancement of processes and procedures
Strategic	15%	
Total	100% (Max)	

* The Financial Out-Performance STI is only payable to the extent that the total STI payable does not exceed 100%.

The minimum STI payable is zero and maximum STI payable is \$2,234,250 for FY24 in aggregate for all KMP.

KMP	MAX STI FY23 \$	MAX STI FY24 \$
Andrew Catsoulis (MD)	1,190,000	1,325,000
Stuart Owen (CFO)	470,000	568,000
Claire Fidler (HoLG)	260,000	341,250
Total	1,920,000	2,234,250

Long-Term Incentive (LTI)

The LTI criteria have been set so as to align the interests of KMP with those of securityholders. The LTI contains two separate components which are independently tested. The LTI is an annual incentive and will be paid in accordance with the payment structure outlined below.

ELEMENT	PERCENTAGE OF LTI	CRITERIA
Total Shareholder Return	70%	Minimum total shareholder return above the 50 th percentile in comparison to the ASX 200 A-REIT index. The LTI becomes payable in accordance with the sliding scale below once the 50 th percentile hurdle is met.
Earnings Per Share Growth	30%	Target earnings per share growth of at least 5% per annum.

For the purposes of determining the LTI attributable to Total Shareholder Return in any given period, the following scale is applied:

NSR TSR v ASX 200 A-REIT INDEX	LTI PAYABLE
<50 th percentile	0%
50 th percentile	50%
>50 th - <75 th percentile	Pro-rata from 50% - 100%
>= 75 th percentile	100%

3 YEAR PERIOD ENDING	REFERENCE YEAR	EPS	TARGET	3 YEAR GROWTH
30 June 2024	30 June 2021	8.5	10.5	24%
30 June 2025	30 June 2022	10.6	12.3	16%
30 June 2026	30 June 2023	11.5	13.3	16%

The minimum LTI payable is zero and maximum LTI payable is \$2,177,000 for FY24 in aggregate for all KMP.

KMP	MAX LTI FY23 (\$)	MAX LTI FY24 (\$)
Andrew Catsoulis (MD)	1,187,500	1,391,250
Stuart Owen (CFO)	462,000	497,000
Claire Fidler (HoLG)	261,250	288,750
Total	1,910,750	2,177,000

The LTI is assessed over a rolling three-year period and as such to be eligible for payment of the LTI, KMP must have been employed by NSR for three years (or shorter period as determined by the Board). Post three years' service, the LTI will be paid on an annual basis on the previous three years' performance against the pre-determined criteria.

Future Incentives

The Board periodically reviews the structure of the incentive plans based on market best practice and feedback received from both investors and proxy advisors and assesses the structure of forward payments to be made under these plans and the appropriate combination of cash and scrip, to ensure the alignment of executive remuneration with current investor expectations and returns.

In assessing the appropriate remuneration structure going forward, the Board considered several factors, including, independent consultants report on both NSR's current KMP remuneration levels and structure, market practice remuneration structures of comparator companies, and investor and proxy advisor feedback. Following detailed consideration of these factors, the Board has determined that the payment of any STI and LTI earned will be as follows:

STI payment structure

Any STI earned for the Reporting Period, and future reporting periods, will be paid in the form of 70% cash and 30% scrip. The quantum of scrip will be determined using the 30-day VWAP up to 30 June at the commencement of the relevant year. As such the value of the scrip component will reflect the relative share price performance for the relevant year. The scrip will be issued at the end of the assessment period, subject to satisfaction of the performance criteria, Board approval and any shareholder approvals required. The scrip component will be restricted for a period of 12 months, meaning that the KMP cannot deal in the scrip for 12 months and that the Board has certain claw back rights over the scrip during the restricted period. The claw back provisions could be triggered under circumstances such as, but not limited to:

- Dismissal (termination for cause)
- Fraud
- Breach of duties
- Serious misconduct
- Resignation

The issue of scrip to directors requires shareholder approval under the ASX Listing Rules and as such, resolutions to approve the issues for the MD and HoLG will need to be drafted and included in the Notice of Meeting (NOM) for each year that an issue is required to be made. Should shareholder approval not be attained, the Board may choose to make the equivalent award in cash.

LTI payment structure

Any LTI earned for the Reporting Period, and future reporting periods, will be paid in the form of 30% cash and 70% equity through the issue of performance rights. The cash component is designed to enable KMP to fund any tax liability on the equity component and mitigate any need to dispose of NSR securities to fund tax

liabilities. The quantum of equity will be determined using the 30-day VWAP up to 30 June in the relevant year that the performance rights are issued. The Board will review the use of cash as part of the LTI on a regular basis.

The equity component is structured through the issue of performance rights at the commencement of the three-year LTI assessment period. The performance rights will vest and convert into scrip at the end of the assessment period, based on the performance criteria, with any unvested rights lapsing. The issue of the rights and the conditions associated with them are contained in the NSR Equity Incentive Plan Rules.

The number of performance rights to be issued for the three-year assessment period commencing on 1 July 2023 and ending 30 June 2026 is based off the approved FY24 LTI using the 30-day VWAP to 30 June 2023 as the issue price. As such, performance rights will be issued based on a calculation price of \$2.4044 with the number of rights to be issued (rounded up to the nearest 100) included in the table below.

KMP	LTI AVAILABLE \$	EQUITY COMPONENT 70%	PERFORMANCE RIGHTS VESTING 30 JUNE 2026
Andrew Catsoulis (MD)	1,391,250	973,875	405,100
Stuart Owen (CFO)	497,000	347,900	144,700
Claire Fidler (HoLG)	288,750	202,125	84,100

The LTI EPS target for year ending 30 June 2026 has been set at 13.3 cents per stapled security, representing 5.0% compound growth over the FY23 EPS of 11.5 cents per stapled security.

The issue of scrip, including performance rights, to directors requires shareholder approval under the ASX Listing Rules and as such resolutions to approve the issues for the MD and HoLG will be included in the Notice of Meeting (NOM) for the upcoming Annual General Meeting. Should shareholder approval not be attained, the Board may choose to make the award in cash.

Other Remuneration

There was no other remuneration in relation to FY23.

NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors and their contribution towards the performance of NSR as well as the complexity of the National Storage Property Trust, National Storage Financial Services Limited and the operating business. The remuneration policy seeks to ensure that NSR attracts and retains directors with appropriate experience and qualifications to oversee the operations of NSR on behalf of the securityholders.

The number of meetings of directors is shown on page 42 of this report.

The Constitution of NSH specifies that the amount of the remuneration of the non-executive directors is a yearly sum not exceeding the sum from time to time determined by the Company in a general meeting. Under the ASX Listing Rules, the total amount paid to all NSH non-executive directors for their services must not exceed in aggregate in any financial year the amount fixed by NSH's annual general meeting. The amount approved by securityholders at the 2019 Annual General meeting was \$1,200,000.

NSH non-executive directors' fees and Committee fees currently agreed to be paid by NSH effective from 1 July 2023 are detailed below. Non-executive directors are not eligible to participate in NSR's incentive plan.

NON-EXECUTIVE DIRECTORS	BASE FEE	AUDIT AND RISK COMMITTEE FEES	REMUNERATION AND NOMINATION COMMITTEE FEES	TOTAL
Anthony Keane ^a				\$350,000
Howard Brenchley ^b	145,000	\$35,000	\$15,000	\$195,000
Inmaculada Beaumont	145,000	\$15,000	\$15,000	\$175,000
Scott Smith ^c	145,000	\$15,000	\$30,000	\$190,000

a. Chairman and Chair of the Nomination Committee and receives a single fee for all roles

b. Chair of the Audit and Risk Committee

c. Chair of the Remuneration Committees

Where applicable, NSH non-executive directors' fees include superannuation at the required statutory rate.

Service agreements

Remuneration and other terms of employment for the KMP senior executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Termination benefits are designed to fall within the limits relevant to the Corporations Act 2001 (Cth) such that they do not require securityholder approval. However, in addition, all executive contracts make any such benefits subject to the Corporations Act 2001 (Cth), all other applicable laws and where necessary

securityholder approval. They also contain provisions which allow NSH to reduce any such payments to ensure compliance with the law.

The terms of employment for the KMP effective from 1 July 2023 period are set out in the table below.

NAME	TERM OF AGREEMENT AND NOTICE PERIOD	BASE SALARY* INCLUDING SUPERANNUATION	TERMINATION PAYMENTS
Andrew Catsoulis	No fixed term 6 months	\$1,325,000	6 months in lieu of notice if required by NSH. 6 months in the event of incapacity or illness.
Stuart Owen	No fixed term 6 months	\$710,000	6 months in lieu of notice if required by NSH. 6 months in the event of incapacity or illness. 1 months fixed remuneration plus 2 weeks for each year of service – capped at 2 months in the event of redundancy
Claire Fidler	No fixed term 6 months	\$525,000	6 months in lieu of notice if required by NSH. 6 months in the event of incapacity or illness. 1 months fixed remuneration plus 2 weeks for each year of service – capped at 2 months in the event of redundancy

* Base salaries are annual salaries for the financial year commencing 1 July 2023. They are reviewed annually by the Remuneration Committee. Actual salaries paid in the year ended 30 June 2023 are shown on page 58.

REMUNERATION GOVERNANCE

REMUNERATION COMMITTEE AND USE OF REMUNERATION CONSULTANTS

The Remuneration Committee's activities are governed by its Charter, a copy of which is available at www.nationalstorageinvest.com.au/governance.

The responsibilities of the Remuneration Committee include:

- formulate and recommend remuneration policies to apply to the company's managing director, senior executives and non-executive directors;
- formulate the specific remuneration packages for senior executives (including base salary, short-term and long-term incentives and other contractual benefits);
- review contractual rights of termination for senior executives;
- review the appropriateness of the company's succession planning policies;
- review management's recommendation of the total proposed STI and LTI awards;
- administer the STI and LTI awards; and
- review management recommendations regarding the remuneration framework for the company as a whole.

The deliberations of the Remuneration Committee, including any recommendations made on remuneration issues, are considered by the full NSH Board. In making its recommendations to the Board, the Remuneration Committee takes into account advice from independent remuneration advisors on trends in remuneration for KMP. The independent remuneration advisors consider a range of factors including the specific responsibilities assumed by KMP. An independent remuneration consultant, SW Corporate, was engaged during the Reporting Period to assess the directors' and senior executives' current remuneration and remuneration structure, and to provide a summary on market practice relating to executive remuneration and remuneration structures, including the use of equity-based components within incentive plans. The advice did not constitute a remuneration recommendation as defined in the *Corporations Act Cth 2001*.

The Remuneration Committee comprises four independent non-executive directors and is chaired by Scott Smith. The Remuneration Committee met five times during the Reporting Period.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The overall objective of the remuneration policy is to ensure that Group remuneration is competitive, reflects responsibilities of the officers and ensures that NSR is able to attract and retain executives and directors with the skills and capabilities required to sustainably deliver NSR's objectives.

The remuneration of directors and senior executives is reviewed at least annually by the Remuneration Committee and the full NSH Board. External analysis and advice is sought by the Committee, where considered appropriate, to ensure that the remuneration for directors and senior executives is competitive in the marketplace and appropriate for the organisation.

The policy seeks to align executive reward with the achievement of strategic objectives and the creation of value for securityholders. The primary tenets of the policy are:

- Attract and retain high-quality executives and to reward the capabilities and experience brought to NSR by those executives;
- Total reward for key executives is to have a significant "at risk" component;
- The "at risk" component for key executives is to include both short-term incentives ("STI") and long-term incentives ("LTI") that have a strong focus on quantitative and non-quantitative measures;
- Provide industry competitive rewards linked to securityholder returns;
- Provide recognition for contribution, complexity of role and responsibilities of the officer;
- Remuneration policies and structures must be clear and transparent both to the executives and Board of NSR and to securityholders; and
- Promote and encourage a strong, responsible and positive culture amongst all NSR employees

In addition to the above tenets, the specific objectives of the NSR board has made changes to the remuneration framework, and in particular the at-risk components of the structure, from the year commencing 1 July 2022 include:

- to adjust the TAR of the executive team to reflect the expansion in the scope and scale of their respective roles and their performance in the roles;
- achieve a shift in the components of the executive team's TAR such that there is a greater weighting towards "at risk remuneration"; and
- to achieve the introduction of partial equity-based remuneration as part of the TAR for the executive team.

TARGET MARKET POSITIONING

Total Annual Remuneration (TAR) is assessed against a broad comparator group and adjusted to reflect factors such as the criticality and complexity of the role, experience, length of service and NSR's positioning within the group. The individual components of TAR, comprising Total Fixed Remuneration (TFR), STI and LTI are individually assessed within this framework and structured to provide both short-term and long-term incentives to KMP that align with delivery of short-term and long-term value to securityholders.

When selecting the comparator group, the data is collected from a combination of sources including audited Remuneration Reports of the selected companies and information provided in FY23 by SW Corporate as part of the review of remuneration and remuneration structures. The NSR Board believes this provides an appropriate pool of data that is statistically relevant. This data is then assessed against NSR's current size, industry positioning and other relevant factors to determine the appropriate information against which to assess NSR's remuneration framework.

DETAILS OF REMUNERATION

The following tables set out details of the remuneration received by the Company's KMP for the Reporting Period.

	SALARY & FEES	SHORT TERM INCENTIVE (CASH)	SHORT TERM INCENTIVES (EQUITY SETTLED)	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS SUPERANNUATION	LONG TERM INCENTIVE (CASH)	VESTED LONG TERM INCENTIVES (EQUITY SETTLED)	LONG SERVICE LEAVE	TOTAL	PERFORMANCE RELATED
2023	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors										
Anthony Keane	300,972	-	-	1,881	25,292	-	-	-	328,145	0%
Howard Branchley	186,400	-	-	-	-	-	-	-	186,400	0%
Scott Smith	168,033	-	-	-	-	-	-	-	168,033	0%
Inmaculada Beaumont	146,035	-	-	-	15,276	-	-	-	161,311	0%
Steven Leigh ⁽¹⁾	51,182	-	-	-	5,429	-	-	-	56,611	0%
Executive directors										
Andrew Catsoulis	1,214,986	833,000	357,000	10,560	25,292	315,000	735,000	28,281	3,519,119	64%
Claire Fidler	451,011	182,000	78,000	10,560	25,292	57,000	133,000	10,747	947,610	47%
Senior executives										
Stuart Owen	674,005	329,000	141,000	10,560	25,292	120,000	280,000	14,932	1,594,789	55%
Total	3,192,624	1,344,000	576,000	33,561	121,873	492,000	1,148,000	53,960	6,962,018	

	SALARY & FEES	SHORT TERM INCENTIVE (CASH)	SHORT TERM INCENTIVES (EQUITY SETTLED)	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS SUPERANNUATION	LONG TERM INCENTIVE (CASH)	VESTED LONG TERM INCENTIVES (EQUITY SETTLED)	LONG SERVICE LEAVE	TOTAL	PERFORMANCE RELATED
2022	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors										
Laurence Brindle ⁽²⁾	217,591	-	-	8,072	17,399	-	-	-	243,062	0%
Anthony Keane ⁽³⁾	192,069	-	-	-	18,844	-	-	-	210,913	0%
Howard Branchley	153,181	-	-	-	-	-	-	-	153,181	0%
Steven Leigh	138,746	-	-	-	13,904	-	-	-	152,650	0%
Executive directors										
Andrew Catsoulis	1,263,103	735,000	315,000	10,560	22,098	315,000	735,000	27,273	3,423,034	61%
Claire Fidler	425,065	133,000	57,000	10,560	20,746	57,000	133,000	9,659	846,030	45%
Senior executives										
Stuart Owen	635,181	280,000	120,000	10,560	19,999	120,000	280,000	14,318	1,480,058	54%
Total	3,024,936	1,148,000	492,000	39,752	112,990	492,000	1,148,000	51,250	6,508,928	

(1) – Mr Leigh retired from the Board effective 26 October 2022

(2) – Mr Brindle retired from the Board effective 5 April 2022

(3) – Mr Keane was appointed Chairman effective 5 April 2022

PERFORMANCE RIGHTS AWARDED, VESTED AND LAPSED DURING THE YEAR

Name	Award	Year of grant	Year in which rights vest	Number of rights granted during the year	Fair value of right at grant date*	Rights vested during the year	Rights lapsed during the year	Value of rights granted during the year*
Andrew Catsoulis (MD)	FY23 Performance Rights - TSR	2022	2023	251,720	\$1.36	251,720	-	\$342,339
	FY23 Performance Rights - EPS	2022	2023	107,880	\$2.30	107,880	-	\$248,124
	FY24 Performance Rights - TSR	2022	2024	251,720	\$1.35	-	-	\$339,822
	FY24 Performance Rights - EPS	2022	2024	107,880	\$2.22	-	-	\$239,494
	FY25 Performance Rights - TSR	2023	2025	258,160	\$1.35	-	-	\$348,516
	FY25 Performance Rights - EPS	2023	2025	110,640	\$2.22	-	-	\$245,621
Claire Fidler (HoLG)	FY23 Performance Rights - TSR	2022	2023	45,570	\$1.36	45,570	-	\$61,975
	FY23 Performance Rights - EPS	2022	2023	19,530	\$2.30	19,530	-	\$44,919
	FY24 Performance Rights - TSR	2022	2024	45,570	\$1.35	-	-	\$61,519
	FY24 Performance Rights - EPS	2022	2024	19,530	\$2.22	-	-	\$43,357
	FY25 Performance Rights - TSR	2023	2025	56,420	\$1.35	-	-	\$76,167
	FY25 Performance Rights - EPS	2023	2025	24,180	\$2.22	-	-	\$53,680
Stuart Owen (CFO)	FY23 Performance Rights - TSR	2022	2023	95,900	\$1.36	95,900	-	\$130,424
	FY23 Performance Rights - EPS	2022	2023	41,100	\$2.30	41,100	-	\$94,530
	FY24 Performance Rights - TSR	2022	2024	95,900	\$1.35	-	-	\$129,465
	FY24 Performance Rights - EPS	2022	2024	41,100	\$2.22	-	-	\$91,242
	FY25 Performance Rights - TSR	2023	2025	101,990	\$1.35	-	-	\$137,687
	FY25 Performance Rights - EPS	2023	2025	43,710	\$2.22	-	-	\$97,036

* Determined at the time of grant per AASB 2. For details on the valuation of performance rights, including models and assumptions used, please refer to note 21.

There were no alterations to the terms and conditions of performance rights awarded as remuneration since their grant date.

SECURITYHOLDINGS OF DIRECTORS AND EXECUTIVES

The movement during the Reporting Period in the number of stapled securities, directly, indirectly or beneficially held by Directors and KMP senior executives, including parties related to them, is as follows:

	BALANCE 30 JUNE 2022	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	ACQUIRED	BALANCE 30 JUNE 2023
<i>Directors of NSH</i>					
Anthony Keane	242,016	-	-	12,449	254,465
Andrew Catsoulis	14,787,952	464,829	-	12,449	15,265,230
Howard Branchley	122,751	-	-	12,449	135,200
Scott Smith ⁽¹⁾	42,509	-	-	112,449	154,958
Inmaculada Beaumont ⁽¹⁾	-	-	-	37,449	37,449
Steven Leigh ⁽²⁾	233,068	-	-	-	-
Claire Fidler	69,406	84,113	-	-	153,519
<i>Executives of NSH</i>					
Stuart Owen	225,773	177,079	-	12,449	415,301
Total	15,723,475	726,021	-	199,694	16,416,122

1. Appointed during the year. 30 June 2022 balance reflects balance on appointment.
2. Mr Leigh ceased being a Director effective 26 October 2022

The movement during the Reporting Period in the number of performance rights, directly, indirectly or beneficially held by Directors and KMP senior executives, including parties related to them, is as follows:

	BALANCE 30 JUNE 2022	GRANTED AS REMUNERATION	VESTED	LAPSED	BALANCE 30 JUNE 2023
<i>Directors of NSH</i>					
Anthony Keane	-	-	-	-	-
Andrew Catsoulis	719,200	368,800	359,600	-	728,400
Howard Branchley	-	-	-	-	-
Scott Smith	-	-	-	-	-
Inmaculada Beaumont	-	-	-	-	-
Steven Leigh*	-	-	-	-	-
Claire Fidler	130,200	80,600	65,100	-	145,700
<i>Executives of NSH</i>					
Stuart Owen	274,000	145,700	137,000	-	282,700
Total	1,123,400	595,100	561,700	-	1,156,800

* Mr Leigh ceased being a Director effective 26 October 2022

RELATED PARTY TRANSACTIONS

There were no other transactions with KMP and their related parties during the reporting period.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

For the period from 1 July 2023 to the date of this report the Group settled two storage centre investment properties, two development sites, and purchased the freehold of a leasehold component of an existing centre for total consideration of \$45.3m.

On 22 August 2023, the Group secured \$150m of new senior unsecured debt facilities, comprised of a \$50m three-year facility and a \$100m five-year facility. In addition, the Group extended \$30m of existing undrawn facilities maturing September 2023 for a period of one year.

ROUNDING

The amounts contained in this Directors' 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 Consolidated Group and NSPT Group are entities to which the ASIC Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* (Cth) is set out on page 63.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The Directors of NSH are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive \$70,716 for the provision of Category 4 fees for other services conducted during the financial year. Refer Note 22 of the financial statements.

FEES PAID TO AND INTERESTS HELD IN NSPT BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates out of NSPT property during the year are disclosed in the Statement of Comprehensive Income and are detailed in Note 18 to the financial statements.

No fees were paid to the Directors of the Responsible Entity during the year out of NSPT.

INTERESTS IN NSPT

The movement in units on issue by NSPT during the year is set out in Note 14 to the financial statements.

This Directors' Report is made on 23 August 2023 in accordance with a resolution of the Board of Directors of National Storage Holdings Limited and is signed for and on behalf of the Directors.



Anthony Keane
Non-Executive Chairman
National Storage Holdings Limited
Brisbane



Andrew Catsoulis
Managing Director
National Storage Holdings Limited
Brisbane



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Auditor's Independence Declaration to the directors of National Storage Holdings Limited and its controlled entities

As lead auditor for the audit of the financial report of National Storage Holdings Limited and its controlled entities for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of National Storage Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Wade Hansen
Partner
Brisbane
23 August 2023



Financial STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Revenue from rental income		312,735	260,929
Revenue from contracts with customers	5	14,647	17,207
Interest income	7	2,654	751
Total revenue		330,036	278,887
Employee expenses	6	(58,163)	(51,243)
Premises costs		(37,840)	(33,754)
Advertising and marketing costs		(8,908)	(7,335)
Insurance costs		(6,585)	(6,137)
Information technology and communications		(7,911)	(6,438)
Other operational expenses	6	(17,835)	(17,965)
Finance costs	7	(47,960)	(32,131)
Share of (loss) / profit from joint ventures and associates	13	(23)	1,741
Gain from fair value adjustments	8	188,011	510,420
Restructuring and other non-recurring costs		-	(4,357)
Foreign exchange gains / (losses)		1,395	(832)
Profit before income tax		334,217	630,856
Income tax expense	9	(13,817)	(10,238)
Profit after tax		320,400	620,618
Profit for the year attributable to:			
Members of National Storage Holdings Limited		37,304	27,220
Non-controlling interest (unitholders of NSPT)		283,096	593,398
		320,400	620,618
Basic earnings per stapled security (cents)	20	25.79	51.79
Diluted earnings per stapled security (cents)	20	25.75	51.71

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	2023 \$'000	2022 \$'000
Profit after tax	320,400	620,618
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	4,357	(4,830)
Net gain on cash flow hedges	579	26,793
Other comprehensive gain for the year, net of tax	4,936	21,963
Total comprehensive income for the year	325,336	642,581
Total comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	37,368	27,076
Non-controlling interest (unitholders of NSPT)	287,968	615,505
	325,336	642,581

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10.1	67,330	83,651
Trade and other receivables	10.2	17,308	20,153
Inventories	11.1	2,107	1,849
Other current assets	10.3	11,383	7,009
Total current assets		98,128	112,662
Non-current assets			
Trade and other receivables	10.2	181	135
Property, plant and equipment	11.2	1,241	1,365
Right of use assets	10.7	4,381	5,165
Investment properties	11.3	4,384,736	3,830,234
Investment in joint ventures and associates	13	8,986	10,528
Intangible assets	11.4	47,024	46,801
Deferred tax assets	9	9,176	9,537
Other non-current assets	10.3	28,183	37,554
Total non-current assets		4,483,908	3,941,319
Total assets		4,582,036	4,053,981
LIABILITIES			
Current liabilities			
Trade and other payables	10.4	30,117	23,936
Lease liabilities	10.7	11,285	10,636
Deferred revenue	11.5	17,045	17,600
Income tax payable		8,606	9,769
Provisions	11.6	4,947	3,926
Distribution payable	17	74,161	64,557
Total current liabilities		146,161	130,424
Non-current liabilities			
Trade and other payables	10.4	1,283	461
Borrowings	10.5	941,133	972,017
Lease liabilities	10.7	90,086	97,954
Provisions	11.6	9,359	9,261
Deferred tax liabilities	9	6,208	4,972
Other liabilities	10.6	1,289	-
Total non-current liabilities		1,049,358	1,084,665
Total liabilities		1,195,519	1,215,089
Net assets		3,386,517	2,838,892
EQUITY			
Non-controlling interest (unitholders of NSPT)		3,113,954	2,631,973
Contributed equity	14	191,938	163,526
Other reserves	15	2,343	2,415
Retained earnings		78,282	40,978
Total equity		3,386,517	2,838,892

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

Attributable to securityholders of National Storage REIT

	Notes	Contributed equity \$'000	Retained earnings \$'000	Other reserves \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2022		163,526	40,978	2,415	2,631,973	2,838,892
Profit for the year		-	37,304	-	283,096	320,400
Other comprehensive income	15	-	-	64	4,872	4,936
Total comprehensive income		-	37,304	64	287,968	325,336
Issue of stapled securities	14	28,702	-	(1,640)	338,968	366,030
Costs associated with issue of stapled securities		(414)	-	-	(4,793)	(5,207)
Deferred tax on cost of issue of stapled securities	9	124	-	-	-	124
Share-based payments	21	-	-	1,504	-	1,504
Distributions	17	-	-	-	(140,162)	(140,162)
		28,412	-	(136)	194,013	222,289
Balance at 30 June 2023		191,938	78,282	2,343	3,113,954	3,386,517
Balance at 1 July 2021		161,320	13,758	3	2,109,561	2,284,642
Profit for the year		-	27,220	-	593,398	620,618
Other comprehensive income / (loss)	15	-	-	(144)	22,107	21,963
Total comprehensive income		-	27,220	(144)	615,505	642,581
Issue of stapled securities	14	2,224	-	-	26,412	28,636
Costs associated with issue of stapled securities		(25)	-	-	(263)	(288)
Deferred tax on cost of issue of stapled securities	9	7	-	-	-	7
Share-based payments	21	-	-	2,556	-	2,556
Distributions	17	-	-	-	(119,242)	(119,242)
		2,206	-	2,556	(93,093)	(88,331)
Balance at 30 June 2022		163,526	40,978	2,415	2,631,973	2,838,892

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Operating activities			
Receipts from customers		363,733	305,478
Payments to suppliers and employees		(164,427)	(139,037)
Interest received	10.1	2,330	118
Income tax paid	10.1	(13,325)	(807)
Net cash flows from operating activities	10.1	188,311	165,752
Investing activities			
Purchase of investment properties		(131,501)	(206,895)
Development of investment properties under construction		(206,183)	(66,317)
Improvements to investment properties		(6,199)	(5,155)
Purchase of property, plant and equipment	11.2	(573)	(840)
Development of intangible assets		(998)	(1,132)
Distributions received from joint venture		1,619	-
Investments in associates and joint ventures	13	(100)	(906)
Net cash flows used in investing activities		(343,935)	(281,245)
Financing activities			
Proceeds from issue of stapled securities	14	340,360	-
Transaction costs on issue of stapled securities		(5,207)	(599)
Distributions paid to stapled security holders	17	(104,888)	(76,779)
Proceeds from borrowings		798,403	1,230,861
Repayment of borrowings		(829,351)	(1,010,517)
Financing provided to joint ventures	18	-	(225)
Repayment of financing provided to joint ventures	18	1,150	750
Payment of principal and interest on lease liabilities		(14,624)	(15,621)
Interest and other finance costs paid		(46,603)	(24,512)
Net cash flows from financing activities		139,240	103,358
Net decrease in cash and cash equivalents		(16,384)	(12,135)
Net foreign exchange difference		63	(124)
Cash and cash equivalents at 1 July		83,651	95,910
Cash and cash equivalents at 30 June	10.1	67,330	83,651

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. CORPORATE INFORMATION

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

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

The financial report of NSR for the year ended 30 June 2023 was approved on 23 August 2023, in accordance with a resolution of the Board of Directors of NSH.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements have been prepared on a historical cost basis, except for selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. NSH is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are presented in Australian Dollars ("AUD") and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated (refer to note 2(w)).

The accounting policies applied by NSR in these financial statements are the same as the 30 June 2022 financial statements except for the accounting policies impacted by new or amended accounting standards detailed in this note.

The Group has elected to present only financial information relating to NSR within these financial statements. A separate financial report for the NSPT Group has also been prepared for the year ended 30 June 2023. This is available at www.nationalstorageinvest.com.au.

Deficiency of net current assets

As at 30 June 2023, the Group had an excess of current liabilities over current assets of \$48.0m (30 June 2022: \$17.8m).

Accounting standards require the lease liability to be split between current and non-current while the corresponding asset is classed as non-current. This results in \$10.1m of lease liabilities being classified as current (30 June 2022: \$9.3m). The Directors believe the excess of the total investment property value over the finance lease liability reflects a positive position in both the immediate and long-term. Current liabilities also include deferred revenue of \$17.0m associated with prepaid storage rentals which are not expected to result in a cash outflow (30 June 2022: \$17.6m).

The Group generated operating cash flows of \$188.3m for the year ended 30 June 2023 (30 June 2022: \$165.8m). Sufficient cash inflows from operations are expected to enable all liabilities to be paid when

due throughout the next financial year. The Group also has undrawn facilities of \$639.9m which have a tenor of over one year. The Group's gearing levels remain low at 19.8% as at 30 June 2023 (30 June 2022: 23.0%)

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

(b) Compliance with IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(c) Changes in accounting policy, disclosures, standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current year.

Other standards, amendments and interpretations

Several other amendments and interpretations apply for the first time in the reporting period, but do not have a material impact on the consolidated financial report of the Group. The Group has not early adopted any other standards.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations relevant to the Group's operations, that have recently been issued or amended but are not yet effective or have not been adopted for the annual reporting year ended 30 June 2023 are outlined in the following table:

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 2021-2	Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	The amendments to AASB 101 Presentation of Financial Statements require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information.	1 January 2023	1 July 2023

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 2021-2	Amendments to AASB 108 – Definition of Accounting Estimates	An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information. The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.	1 January 2023	1 July 2023
AASB 2021-5	Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	AASB 112 Income Taxes requires entities to account for income tax consequences when economic transactions take place, and not at the time when income tax payments or recoveries are made. Entities need to consider the differences between the tax rules and the accounting standards. These differences could either be: Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted; or Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit. Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless prohibited by AASB 112 in certain circumstances. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. The amendments to AASB 112 have narrowed the scope of this exception such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023	1 July 2023

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
ASB 2020-1	Amendments to AASs – Classification of Liabilities as Current or Non-current	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management intention or expectation does not affect classification of liabilities.	1 January 2024	1 July 2024
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures to address an inconsistency between the requirements in AASB 10 and those in AASB 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2025	1 July 2025

(d) Basis of consolidation

The Financial Statements of NSR comprises the consolidated financial statements of the NSH Group and the NSPT Group.

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

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control. The acquisition method of accounting is used to account for business combinations (see note 2(h)).

Intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of all subsidiaries are consistent with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the parent entity.

Associates
Associates are all entities over which the Group has significant influence but not control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Investments in joint ventures are accounted for using the equity method.

Equity method

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss from associates and joint ventures is shown on the face of the consolidated statement of profit or loss. This represents profit or loss after tax and non-controlling interests in the subsidiaries of associates or joint ventures.

The financial statements of associates and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, at each reporting date the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference

between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit or loss of joint ventures and associates' in the consolidated statement of profit or loss.

Upon loss of significant influence over an associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(e) Revenue recognition

Revenue is recognised when performance obligations have been met and is measured at the fair value of the consideration received or receivable to the extent it is probable the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group's revenue is disaggregated in the consolidated statement of profit or loss with the exception of revenue from contracts with customers which is disaggregated into categories in note 5 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from rental income

Revenue from rental income relating to the provision of storage space and commercial units is recognised over the term of the general agreement. The value of discounts offered to customers at the end of an incentive period is recognised over the expected rental period.

Interest income

Interest income is recognised using the effective interest method.

Revenue from Contracts with Customers

Revenue is recognised under AASB 15 *Revenue from Contracts with Customers* and applies to all revenue from contracts with customers, unless those contracts are in the scope of other standards.

The Group follows a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount

that reflects the consideration to which an entity expects to be entitled to, in exchange for transferring goods or services to a customer. The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Revenue is measured at the expected consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods and services

Revenue from the sale of goods is recognised on fulfilment of performance obligations. The Group recognises revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or service.

Agency fees and commission

The Group acts as an agent in the provision of insurance services provided by a third party insurance company to storage rental customers. The Group's contracts with customers for agency fees and commissions consist of one performance obligation. The Group recognises revenue at the point in time when the commission is generated and is receivable.

Design and development fees

The Group's design and development fees to customers consist of one performance obligation. The Group recognises revenue from design and development fees over the relevant period of the performance obligations as the Group's performance creates or enhances an asset that the customer controls.

Management fees

The Group's contracts with customers for management fees are recognised over the period of the management agreement, in line with recurring performance obligations.

(f) Taxes

The Group comprises taxable and non-taxable entities. A liability for current and deferred tax expense is only recognised in respect of taxable entities that are subject to 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.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss.

Management periodically evaluates tax positions where the interpretation of applicable tax regulations is subjective and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are recognised for all deductible or taxable temporary differences, except:

- When the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible or taxable temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, when the timing of the reversal of temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future, and in the case of deferred tax assets taxable

profit will be available against which the temporary differences can be utilised.

The deferred tax liabilities in relation to investment property is recognised dependent upon the taxable impact in the relevant jurisdiction. The Group assumes that the current measurement at fair value will be recovered entirely through a sale.

In New Zealand, as any capital gain on sale will generally be exempt from tax, the deferred tax liability in relation to these assets would generally be calculated based on the amount of any tax depreciation recovery.

Deferred tax assets are also recognised relating to the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right to offset current tax assets and liabilities exists and when the deferred tax balances relate to the same taxation authority.

Tax consolidation legislation

NSH and its wholly-owned Australian entities are a tax consolidated group, meaning they are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. NSPT

and its wholly owned entities are not eligible to be part of the NSH tax consolidated group.

Goods and services tax ("GST")
Revenue, expenses, assets, and liabilities are recognised net of the amount of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classed as part of operating cash flows.

(g) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation.

These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are

translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on fair value gain or loss recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(h) Business combinations and goodwill

The Group accounts for a transaction as a business combination if it meets the definition under AASB 3 *Business Combinations*, which requires the assets and liabilities acquired to constitute a business. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

To determine if there is an integrated set of activities, the Group conducts an assessment of minimum business requirements and what substantive processes have been acquired.

As part of this assessment the Group applies the amendments to the definition of a business under AASB 2018-6 including the optional fair value concentration test. If the concentration test is passed, the set of activities and assets is determined not to be a business and therefore, the transaction is accounted for as an asset acquisition rather than a business combination.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in business combination expenses in the consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all assets acquired and liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration

transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("**CGUs**") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(i) Leases

The Group leases properties which are classified as investment properties (note 11.3). The Group also leases office premises and items of plant and equipment.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Group recognises lease liabilities associated with lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets (excluding leasehold investment properties) are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made

at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Leasehold investment property assets are measured at fair value as detailed in note 2(p). If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are subject to impairment as detailed in note 2(r).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date when the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset or to extend an existing lease term.

Short term leases and leases of low value assets

The Group applies the short term lease recognition exemption to its short term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a

purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised on a straight line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(j) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank, cash on hand and term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and term deposits as defined above.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(l) Financial assets

Initial recognition and measurement

At initial recognition, financial assets are classified and measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's

contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is performed at an instrument level. Financial assets with cash flows that are not solely payments of principal and interest ("**SPPI**") are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held with the objective of collecting contractual cash flows while financial assets classified and measured at fair value through Other Comprehensive Income ("**OCI**") are held with the objective of both holding to collect contractual cash flows and selling the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses; and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets held at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or

impaired. The Group's financial assets at amortised cost include trade and other receivables, and deposits.

Financial assets at fair value through other comprehensive income
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as financial assets measured at amortised cost.

The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group has not designated as a hedged instrument.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

Financial assets are primarily derecognised when:

- The rights to receive cash flows from the assets have expired, or
 - The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
(a) the Group has transferred substantially all the risks and rewards of the asset, or
(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.
- When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
- Impairment**
- The Group uses AASB 9 *Financial Instruments'* expected loss approach with a forward-looking expected credit loss ("ECL") methodology to recognise an ECL provision for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
- ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a

loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group assesses this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

The Group considers a financial asset to be at risk of default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(m) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

Financial liabilities at fair value through profit or loss
This category includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of

repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Borrowing costs are recognised as an expense when incurred unless they relate to the acquisition, construction or production of a qualifying asset or to upfront borrowing establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete the asset for its intended use or sale.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying

amounts is recognised in the consolidated statement of profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Derivative financial instruments and hedge accounting

Initial recognition and measurement

The Group uses derivative financial instruments, such as interest rate swaps, interest rate caps, interest rate swaptions, and a net investment hedge to hedge its foreign currency and interest rate risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the

Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses interest rate swap contracts as hedges of its exposure to the risk of changes in market interest rates. The ineffective portion relating to these is recognised as other operating income or expenses.

The Group designates only the spot element of these contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity within the hedging reserve.

The amounts accumulated in other comprehensive income are accounted for depending on the nature of the underlying hedged transaction. These amounts are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in other comprehensive income if the hedged future cash flows are still expected to occur.

Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any accumulated amount remaining in other comprehensive income must be accounted for depending on the nature of the underlying transaction.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component asset is derecognised when replaced. All repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Leasehold improvements - remaining length of lease term
- Plant and equipment - 2.5 to 20 years

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount (note 2(r)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) Investment properties

Freehold investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, freehold investment properties are stated at fair value, which reflects market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Investment properties under construction are held at cumulative cost of construction as an estimate for fair value. This serves as the most appropriate basis to estimate fair value particularly during the early stages of development and is adjusted once risks associated with the completion of development and ultimate operations of the property are determined to be insignificant.

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years, unless required by the underlying financing or the Directors determine a more frequent valuation cycle.

For properties subject to an independent valuation report, the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Director valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

In some transactions involving the purchase of a group of assets the value assessed by NSR, being the purchase price paid, may exceed the sum of the independent property valuations which are undertaken on a stand-alone

property basis. This excess in value represents a portfolio premium.

Any portfolio premium attributable to the investment property assets acquired in transactions accounted for as asset acquisition is allocated to the individual identifiable assets acquired within each portfolio on the relative fair value basis at the date of acquisition.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

Leasehold investment properties
The Group, as lessee, has properties under AASB 140 *Investment Property*, qualify for recognition as investment properties. Under this treatment, for each property, the present value of lease payments to be made over the lease term is determined and carried as a lease liability and the fair value of the lease to the NSH Group is recorded each period as investment property.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined using the same valuation process applied to freehold investment properties.

Lease payments are accounted for under AASB 16 *Leases*, see note 2(i). Lease payments are allocated between the principal component of the lease liability and interest expense to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognised in finance costs in the consolidated statement of profit or loss and in payment of lease liabilities within the consolidated statements of cash flows.

(q) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition,

intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate. These are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in other operational expenses.

Intangible assets with indefinite useful lives, such as goodwill, are not amortised but are tested for impairment at each reporting period, either individually or at the CGU level. The assessment of indefinite life is reviewed at each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;

- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in other operational expenses. During the period of development, the asset is tested annually for impairment.

(r) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU's). Non-financial assets other than goodwill that have been impaired in previous periods are reviewed for possible reversal of the impairment at the end of each reporting period.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is

recognised as a separate asset, but only when the reimbursement is virtually certain.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

In accordance with its lease agreements, the Group must restore the leased premises in a number of leasehold premises to their original condition at lease expiry. A provision has been recognised for the obligation to remove leasehold improvements from the leased premises (note 11.6).

(t) Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, and accumulating annual leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits obligations
The Group does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to previous experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations
All employees can direct the Group to make contributions to a defined contribution plan of their choice. Contributions to defined contribution superannuation funds are

recognised as an expense as they become payable.

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are provided in note 21.

That cost is recognised in employee expense, together with a corresponding increase in equity (share-based payment reserve within other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the fair value of awards at grant date, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met.

An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of

the share-based payment transaction, or is otherwise beneficial to the employee.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding performance rights is reflected as additional share dilution in the computation of diluted earnings per share (see note 20).

(u) Contributed equity

Stapled securities are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of securities are shown in equity as a deduction, net of tax, from the proceeds.

(v) Dividends and distributions to securityholders

The Group recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and is no longer at the discretion of the Company or the Responsible Entity. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

(w) Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Parent entity financial information

The financial information for the parent entity, NSH, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of NSH.

Tax consolidation legislation
NSH, the head entity, and its wholly-owned subsidiaries are a tax consolidated group. This results in them being taxed as a single entity. NSH recognises the current tax liabilities or assets and the deferred tax assets and liabilities arising from all tax consolidated group members. This includes any unused tax losses and unused tax credits arising from controlled entities in the tax consolidated group.

(y) Fair value measurement

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For further details on fair value measurement refer to notes 8 and notes 10.8.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected assets or liabilities in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management (note 17)
- Financial instruments risk management and policies (notes 10.8, 16)
- Sensitivity analyses disclosures (notes 11.7, 16).

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the consolidated financial statements.

Significant judgements

Acquisition of storage centre assets
For the acquisition of storage centres, the Group's policy is to review the nature of the transaction and assess if the transaction should be accounted for under AASB 3 *Business Combinations* or AASB 140 *Investment Properties* as a purchase of investment property.

The key assessment is whether the transaction constitutes a purchase of a 'business', and if so, it will be accounted for under AASB 3. If it is determined that the transaction does not meet this definition, the transaction is accounted for as a purchase of an asset under AASB 140, as an acquisition of a storage centre(s) held for rental return and capital appreciation.

For the years ended 30 June 2023 and 30 June 2022, the Group has assessed that all of its storage centre acquisitions do not meet the definitions set out in AASB 3 and are therefore accounted for as purchases of investment property per AASB 140.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease considering factors that create an economic incentive to exercise either the renewal or termination clause.

The Group has included the extension period as part of the lease term for leases of investment property where the option is expected to be exercised at the next renewal period. The

renewal periods for leases with non-cancellable periods in excess of three years are not included as part of the lease term as these are not certain to be exercised.

The Group also has the option to extend its lease of head office premises. The renewal period for this lease is not included as part of the lease term as there is no reasonable certainty that this will be exercised at the end of the initial contractual term.

Estimates and assumptions

The key assumptions at the reporting date concerning the future, and other key sources of estimation uncertainty, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Assumptions and estimates are based on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about the future developments may change due to market changes or circumstances arising beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss under fair value adjustments. Fair values of individual properties are determined by a combination of independent valuations assessed on a rotational basis and annual Director' valuations, determined using the same techniques and similar estimates to those applied by the independent valuer.

The capitalisation of net operating income approach to investment property valuations is applied by both the external and Directors' valuations. This is a commonly applied valuation method for storage facilities within Australia and New Zealand. This methodology is generally used in sectors where revenue is earned from short term rentals or an operating activity as opposed to a fixed long-term rental lease.

The Group calculates net operating income before depreciation, amortisation, interest, tax, and capital expenditure deductions for both passive income (current trading income) and potential income (additional income at sustainable occupancy).

Potential income is subject to a higher degree of risk, reflected in a higher secondary capitalisation rate. The approach of disaggregating a property's net operating income between current passive income and future potential income allows appropriate risk adjusted capitalisation rates to be applied to each income stream.

The Group disaggregates primary and secondary capitalisation rates to provide more transparency to the valuation process. This gives visibility over the separate rates applied to passive income from current trading and potential income, and the resultant differing risk profile which exists between these income categories.

The key assumptions used to determine the fair value of the properties and the sensitivity analyses are provided in note 11.7.

Impairment of non-financial assets – goodwill
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The goodwill on the Group's balance sheet is allocated to the NSR listed group as one single CGU. This reflects the fact that as a portfolio of storage centre investment properties, the whole of NSR is considered to be one business segment and that goodwill is beneficial to the entire Group. This aligns with how NSR's chief operating decision maker monitors and structures the performance of the Group and is consistent with the Group's assessment of operating segments under AASB 8 *Operating Segments*.

The recoverable amount of the CGU has been determined based on a fair value less cost of disposal calculation. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill are discussed in note 11.4.

4. SEGMENT INFORMATION

During the 2023 and 2022 financial years, the Group operated wholly within one business segment, being the operation and management of storage centres in Australia and New Zealand.

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

The operating results presented in the consolidated statement of profit or loss represent the same segment information as reported in internal management information.

Geographic information

	2023 \$'000	2022 \$'000
Revenue from external customers		
Australia	295,253	251,053
New Zealand	32,129	27,083
Total	327,382	278,136

The revenue information above excludes interest income and is based on the location of storage centres.

	2023 \$'000	2022 \$'000
Non-current operating assets		
Australia	3,917,271	3,401,320
New Zealand	476,157	438,291
Total	4,393,428	3,839,611

Non-current assets for this purpose consists of property, plant and equipment, investment properties, right of use assets, and intangible assets (excluding goodwill).

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

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 \$'000	2022 \$'000
Revenue from contracts with customers		
Sale of goods and services	7,396	7,983
Agency fees and commissions	5,951	6,646
Design and development fees	468	1,842
Management fees	832	736
Total revenue from contracts with customers	14,647	17,207

6. EXPENSES

	Notes	2023 \$'000	2022 \$'000
Other operational expenses			
Professional fees		3,817	3,525
Cost of packaging and other products sold		3,877	5,010
Bank charges		2,001	2,069
Motor vehicle expenses		540	593
Depreciation		2,054	1,888
Amortisation of intangible assets	11.4	775	1,290
Travel and entertainment costs		1,883	1,172
Other expenses		2,888	2,418
Total other operational expenses		17,835	17,965
Employee expenses			
Wages and salaries		45,814	39,073
Post-employment benefits		3,907	3,191
Share-based payments	21	1,504	2,556
Payroll tax		2,308	2,187
Other employee costs		4,630	4,236
Total employee expenses		58,163	51,243

7. INTEREST INCOME AND FINANCE COSTS

		2023 \$'000	2022 \$'000
Interest income			
Bank interest		2,186	222
Interest income from related parties		468	529
Total interest income		2,654	751
Finance costs			
Interest on borrowings		37,617	18,900
Reclassification from cash flow hedge reserve to consolidated statement of profit or loss	15	5,359	7,815
Interest on lease liabilities relating to investment property		4,875	5,265
Interest on other lease liabilities		109	151
Total finance costs		47,960	32,131

8. FAIR VALUE ADJUSTMENTS

		2023 \$'000	2022 \$'000
Gains / (losses) for the year in profit or loss (recognised in fair value adjustments)			
Realised losses – lease diminution of leasehold property		(8,361)	(6,763)
Unrealised gains associated with investment property		193,949	522,618
Movement in provisions presented in fair value adjustments		369	(5,435)
Change in fair value of derivatives recognised at fair value through the profit and loss.		2,054	-
		188,011	510,420

9. 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 for the years ended 30 June 2023 and 30 June 2022 are:

	Notes	2023 \$'000	2022 \$'000
Consolidated statement of profit or loss			
Current tax		13,364	11,850
Deferred tax		1,272	(1,833)
Adjustment in relation to prior periods		(819)	221
Total income tax expense		13,817	10,238
Deferred tax relating to items recognised in other comprehensive income			
Net gain on revaluation of cash flow hedges	15	-	3
Deferred tax relating to items recognised in statement of changes in equity			
Cost of issuing share capital		(124)	(7)
Reconciliation of tax expense and accounting profit multiplied by Australia's domestic tax rate for 2023 and 2022:			
Profit before tax		334,217	630,856
Deduct profit before tax from Trusts owning Australian properties		(269,180)	(559,655)
Accounting profit before income tax		65,037	71,201
Tax at the Australian tax rate of 30% (2022 – 30%)		19,511	21,360
Non-deductible / assessable amounts		1,360	1,700
Deductible / non-assessable amounts		(5,796)	(11,110)
Adjustments in respect of previous years		(1,227)	131
Effect of lower tax rates in New Zealand		(266)	(729)
Tax losses not recognised		235	-
Recognition of previously unrecognised tax losses		-	(1,114)
Income tax expense		13,817	10,238

	2023 \$'000	2022 \$'000
Deferred tax expense / (benefit) included in income tax benefit comprises:		
Increase in deferred tax assets	(50,454)	(88,270)
Increase in deferred tax liabilities	52,051	88,042
Movement of deferred tax asset on carry forward losses	(389)	(1,734)
Exchange variations	(60)	119
Movement in deferred tax asset recognised in other comprehensive income	-	3
Movement in deferred tax asset recognised in statement of changes in equity	124	7
Total deferred tax expense / (benefit)	1,272	(1,833)
Deferred tax assets and liabilities		
Deferred tax assets		
<i>The balance comprises temporary differences attributable to:</i>		
Lease liabilities	461,528	410,805
Employee benefits	1,907	1,528
Accrued expenses	1,908	1,945
Carry forward losses	229	618
Make good provisions	2,391	2,374
Revaluation of investment property assets	645	1,508
Other	1,184	560
Total deferred tax assets	469,792	419,338
Deferred tax liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
Right of use assets	1,301	1,547
Trade and other receivables	16	14
Intangibles	141	191
Revaluations of investment properties	465,351	413,013
Unrealised foreign exchange losses	15	8
Total deferred tax liabilities	466,824	414,773
Net deferred tax assets	2,968	4,565
Reconciliation to consolidated statement of financial position		
Deferred tax assets	9,176	9,537
Deferred tax liabilities	(6,208)	(4,972)
Net deferred tax assets	2,968	4,565

The Group offsets tax assets and liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax asset and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Group has the following gross tax losses which arose in Australia and New Zealand:

	2023 \$'000	2022 \$'000
Recognised group tax losses	818	2,069
Unrecognised group tax losses	805	21
Total	1,623	2,090

For the year ended 30 June 2023, all recognised tax losses relate to New Zealand entities and are available for offsetting against future taxable profits of National Storage Limited and NSNZPT. Unrecognised group tax losses relate to Australian losses incurred by National Storage Finance Pty Ltd.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	Notes	2023 \$'000	2022 \$'000
Financial assets			
<i>At amortised cost</i>			
Cash and cash equivalents	10.1	67,330	83,651
Trade and other receivables	10.2	17,489	20,288
Deposits	10.3	8,876	16,678
		<u>93,695</u>	<u>120,617</u>
<i>Derivatives measured at fair value</i>			
Interest rate derivatives designated as hedging instruments	10.3	16,483	21,263
Interest rate derivatives not designated as hedging instruments	10.3	3,343	-
Total financial assets		<u>113,521</u>	<u>141,880</u>
Financial liabilities			
Trade and other payables	10.4	31,400	24,397
Borrowings	10.5	946,958	975,448
Lease liabilities	10.7	101,371	108,590
		<u>1,079,729</u>	<u>1,108,435</u>
<i>Derivatives measured at fair value</i>			
Interest rate derivatives not designated as hedging instruments	10.6	1,289	-
Total financial liabilities		<u>1,081,018</u>	<u>1,108,435</u>

The Group's approach to financial risk management is discussed in note 16. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

Derivatives designated as hedging instruments reflect the change in fair value of interest rate derivatives, designated as cash flow hedges. Derivatives not designated as hedging instruments reflect the change in fair value of interest rate swaps, interest rate swaptions, and caps that are not designated in hedging relationships, but are, nevertheless, intended to manage the risk associated with interest rate fluctuations.

All derivatives are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

10.1. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Current assets		
Cash on hand	-	3
Cash at bank	67,330	83,648
Total cash and cash equivalents	<u>67,330</u>	<u>83,651</u>

Cash flow reconciliation of net profit after tax to net cash flows from operations

	2023 \$'000	2022 \$'000
Profit after income tax	320,400	620,618
Income tax expense	13,817	10,238
Profit before tax	<u>334,217</u>	<u>630,856</u>
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation	2,054	1,888
Loss on disposal of property, plant and equipment	132	235
Amortisation of intangible assets	775	1,290
Derecognition of intangible assets	-	238
Fair value adjustments	(188,011)	(510,420)
Derecognition of capitalised borrowing costs	-	3,842
Share-based payments	1,504	2,556
Share of loss /(profit) from joint ventures and associates	23	(1,741)
Interest income	(2,654)	(751)
Finance costs	47,960	32,131
<i>Changes in operating assets and liabilities:</i>		
Increase / (decrease) in receivables	1,980	(3,443)
Increase in inventories	(252)	(531)
Increase in other assets	(1,187)	(1,724)
Increase in payables	2,060	4,134
(Decrease) / increase in deferred revenue	(555)	1,415
Increase in provisions	1,260	6,466
Cash flows from operating activities	199,306	166,441
Interest received	2,330	118
Income tax paid	(13,325)	(807)
Net cash flows from operating activities	188,311	165,752

Disclosure of non-cash financing activities

Non-cash financing activities include capital raised pursuant to the NSR's distribution reinvestment plan. During the year 10.9m stapled securities (2022: 11.9m) were issued with a cash equivalent of \$25.7m (2022: \$27.6m).

10.2. Trade and other receivables

	Notes	2023 \$'000	2022 \$'000
Current			
Trade receivables		3,818	3,648
Other receivables		6,654	6,607
Receivables from related parties	18	7,117	10,117
Allowance for expected credit losses on trade receivables		(281)	(219)
		<u>17,308</u>	<u>20,153</u>
Non-current			
Other receivables		181	135
Total current and non-current		<u>17,489</u>	<u>20,288</u>

Classification as trade and other receivables

Trade receivables are amounts due from customers for rental income, goods sold or services performed in the ordinary course of business. Other receivables are held to collect contractual cash flows of solely payments of principal and interest. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The allowance for expected credit losses represents an estimate of receivables that are not considered to be recoverable. The Group recognises an expected loss provision based on lifetime expected credit losses at each reporting date. The Group applies judgement in assessing this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivable, and wider economic factors.

See note 18 for terms and conditions relating to related party receivables.

See below for the movements in the allowance for expected credit losses in the Group.

	2023 \$'000	2022 \$'000
At 1 July	219	158
Charge for the year	114	77
Reversed in the year	(54)	(13)
Effect of movement in foreign exchange	2	(3)
At 30 June	<u>281</u>	<u>219</u>

The age of trade receivables not impaired was as follows:

	2023 \$'000	2022 \$'000
0 to 3 months	3,205	3,379
3 to 6 months	294	45
Over 6 months	38	5
	<u>3,537</u>	<u>3,429</u>

The carrying amounts of current receivables are assumed to be the same as their fair values, due to their short-term nature. The fair value of non-current receivables approximates carrying value.

10.3. Other assets

	2023 \$'000	2022 \$'000
Current		
Prepayments	10,864	6,622
Financial assets (derivatives)	519	387
	<u>11,383</u>	<u>7,009</u>
Non-current		
Deposits	8,876	16,678
Financial assets (derivatives)	19,307	20,876
	<u>28,183</u>	<u>37,554</u>
Total current and non-current	<u>39,566</u>	<u>44,563</u>

Deposits include advances on contracts or options on investment property purchases. Contracts where the Group has a future commitment to acquire are detailed in note 19.

For details on the classification of financial instruments see note 10.

10.4. Trade and other payables

	2023 \$'000	2022 \$'000
Current		
Trade payables	6,144	465
Accrued expenses	20,886	19,880
GST and other employment taxes payable	1,463	2,324
Other payables	1,624	1,267
	<u>30,117</u>	<u>23,936</u>
Non-current		
Other payables	1,283	461
Total current and non-current	<u>31,400</u>	<u>24,397</u>

Trade payables are unsecured and are usually paid within 30 days of recognition. Other payables and accruals are paid when amounts fall due. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

10.5. Borrowings

	2023 \$'000	2022 \$'000
Non-current		
Bank finance facilities	946,958	975,448
Non-amortised borrowing costs	(5,825)	(3,431)
Total borrowings	<u>941,133</u>	<u>972,017</u>

The Group has non-current borrowing facilities denominated in Australian Dollars ("AUD") and New Zealand Dollars ("NZD"). All facilities are interest only facilities with any drawn balances payable at maturity. Drawn amounts and facility limits are as follows:

	2023 \$'000	2022 \$'000
Bank finance facilities (AUD)		
Drawn amount	855,000	827,000
Facility limit	1,410,000	1,080,000
Bank finance facilities (NZD)		
Drawn amount	100,000	164,250
Facility limit	225,000	225,000
AUD equivalent of NZD facilities		
Drawn amount	91,957	148,448
Facility limit	206,904	203,354

The major terms of these agreements are as follows:

- At 30 June 2023 maturity dates on these facilities range from 1 September 2023 to 13 June 2030 (30 June 2022: maturity dates from 1 September 2023 to 23 June 2029).
- All facilities are unsecured and interest only with any drawn balance payable at maturity.
- The interest rate applied is the bank bill rate plus a margin.

The Group has a bank overdraft facility with a limit of \$3m that was undrawn at 30 June 2023 and 30 June 2022. During the year ended 30 June 2023, the Group entered into additional debt facilities totalling \$580m, which has extended the tenor of the Group's borrowings and also expanded the Group's lender pool.

The Group has complied with the financial covenants of their borrowing facilities during the 2023 and 2022 reporting periods (see note 17). The fair value of interest-bearing loans and borrowings approximates carrying value. Details of the exposure to risk arising from current and non-current borrowings are set out in note 16.

Interest rate derivatives

The Group uses interest rate derivatives as part of its risk management strategy to manage exposure to interest rate fluctuations. These derivatives include interest rate swaps, interest rate caps, and interest rate swaptions. The purpose of using a combination of these instruments is to mitigate the impact of interest rate changes on the Group's future cash flows in accordance with its risk management policies.

Interest rate swaps

Interest rate swaps are financial contracts where the Group agrees to exchange interest rate cash flows with a counterparty. Typically, the Group exchanges fixed-rate interest payments for floating-rate interest payments based on a notional principal amount.

The Group has the following interest rate derivatives at the end of the reporting period:

	2023 \$'000	2022 \$'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	300,000	360,000
Future interest rate swaps	50,000	-
Interest rate swaps (NZD) at face value		
Current interest rate swaps	50,000	-
Future interest rate swaps	25,000	-
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	45,979	-
Future interest rate swaps	22,989	-

Interest rate swaps in place at the end of the reporting period have maturity dates ranging from 23 September 2023 to 23 June 2027 (30 June 2022: 23 September 2022 to 23 September 2026).

Interest rate caps

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

As of 30 June 2023, the Group had sold an interest rate caps with a total notional value of \$40.0m (2022: nil) to lower the blended swap rate when the BBSY rate is below the agreed threshold (set quarterly). If the BBSY is above this threshold at the quarterly roll date the Group is required to pay additional interest payments. The fair value of these interest rate caps was recorded on the balance sheet as \$0.7m in other liabilities (2022: nil).

Interest rate swaptions

Interest rate swaptions are options contracts that provide the counterparty with the option but not the obligation to extend an interest rate swap at a specified future date on predetermined terms.

As of 30 June 2023, the Group had entered into interest rate swaptions with a notional value of AUD \$40.0m and \$50m NZD (AUD: \$46.0m) (2022: nil). The fair value of these interest rate swaptions was recorded on the balance sheet as \$0.6m in other liabilities (2022: nil).

10.6. Other liabilities

	2023 \$'000	2022 \$'000
Non-current financial liabilities		
Interest rate derivatives	1,289	-

10.7. Right of use assets and lease liabilities

a) Right of use assets

	Premises leases \$'000	Equipment leases \$'000	Advertising leases \$'000	Total \$'000
Opening balance at 1 July 2022	4,656	386	123	5,165
Additions	585	101	-	686
Depreciation	(1,010)	(469)	(8)	(1,487)
Reassessment of variable lease payments	28	(13)	-	15
Effect of movement in foreign exchange	-	-	2	2
Closing balance at 30 June 2023	4,259	5	117	4,381

Opening balance at 1 July 2021	4,902	745	135	5,782
Additions	587	23	-	610
Depreciation	(935)	(382)	(8)	(1,325)
Reassessment of variable lease payments	102	-	-	102
Effect of movement in foreign exchange	-	-	(4)	(4)
Closing balance at 30 June 2022	4,656	386	123	5,165

b) Lease liabilities

	2023 \$'000	2022 \$'000
Current lease liabilities		
Lease liabilities relating to right of use assets	1,151	1,342
Lease liabilities relating to right of use assets presented as leasehold investment properties	10,134	9,294
Total current lease liabilities	11,285	10,636
Non-current lease liabilities		
Lease liabilities relating to right of use assets	3,756	4,317
Lease liabilities relating to right of use assets presented as leasehold investment properties	86,330	93,637
Total non-current lease liabilities	90,086	97,954
Total lease liabilities	101,371	108,590

	2023 \$'000	2022 \$'000
Amounts recognised in consolidated statement of profit or loss:		
Depreciation of right of use assets	1,487	1,325
Interest expense on lease liabilities	4,984	5,416
Expenses relating to short term leases presented within premises costs	36	76
Lease diminution on leasehold investment properties presented within fair value adjustments (note 8)	8,361	6,954
Total	14,868	13,771

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

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

	Within five years \$'000	More than five years \$'000	Total \$'000
Extension options expected not to be exercised			
At 30 June 2023	5,583	247,540	253,123
At 30 June 2022	3,485	246,947	250,432

Group as a lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	30 June 2023 \$'000	30 June 2022 \$'000
Within one year	5,930	6,359
After one year but not more than five years	5,026	10,792
More than five years	-	906
Total	10,956	18,057

10.8. 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, as detailed in notes 10.1 to 10.7. 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.

Specific fair valuation techniques used to determine fair values include:

- The fair value of interest rate derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves, adjusted for counterparty or own credit risk.

The resulting fair value estimates for interest rate derivatives are included in level 2.

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2023					
<i>Interest rate derivatives</i>					
Current financial assets	10.3	-	519	-	519
Non-current financial assets	10.3	-	19,307	-	19,307
Non-current financial liabilities	10.6	-	(1,289)	-	(1,289)
		-	18,537	-	18,537
At 30 June 2022					
<i>Interest rate derivatives</i>					
Current financial assets	10.3	-	387	-	387
Non-current financial assets	10.3	-	20,876	-	20,876
		-	21,263	-	21,263

There were no transfers between levels of fair value hierarchy during the years ended 30 June 2023 and 30 June 2022.

11. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities including:

- An overview of all non-financial assets and liabilities held by the Group;
- Specific information about each type of non-financial asset and non-financial liability; and
- Information about determining the fair value of the non-financial assets and liabilities, including areas of judgement, estimates and other assumptions.

11.1. Inventories

	2023 \$'000	2022 \$'000
Finished goods - at lower of cost and net realisable value	2,107	1,849

11.2. Property, plant and equipment

	2023 \$'000	2022 \$'000
At cost	2,899	2,717
Accumulated depreciation	(1,658)	(1,352)
Total property, plant and equipment	1,241	1,365

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the financial periods are shown below:

	2023 \$'000	2022 \$'000
Plant and equipment		
Opening balance at 1 July	1,365	1,408
Additions	573	840
Disposals	(132)	(318)
Depreciation	(567)	(563)
Effect of movement in foreign exchange	2	(2)
Closing balance at 30 June	1,241	1,365

11.3. Investment properties

	Notes	2023 \$'000	2022 \$'000
Leasehold investment properties in operation	11.7	136,775	140,681
Freehold investment properties in operation	11.7	3,978,791	3,612,082
Investment properties under construction		269,170	77,471
Total investment properties		4,384,736	3,830,234
Leasehold investment properties in operation			
Opening balance at 1 July		140,681	137,498
Property acquisitions		2,048	7,412
Improvements to investment properties		324	249
Reassessment of lease terms		1,641	7,388
Items reclassified to freehold investment properties		(230)	(11,500)
Lease diminution, presented as fair value adjustments	10.7b	(8,361)	(6,954)
Net gain from other fair value adjustments		672	6,588
Closing balance at 30 June		136,775	140,681
Freehold investment properties in operation			
Opening balance at 1 July		3,612,082	2,834,509
Property acquisitions		136,944	185,922
Improvements to investment properties		5,875	4,989
Items reclassified from leasehold investment properties		230	11,500
Items reclassified to investment properties under construction		(6,109)	(10,261)
Items reclassified from investment properties under construction		28,949	83,987
Net gain from fair value adjustments		193,277	510,786
Effect of movement in foreign exchange		7,543	(9,350)
Closing balance at 30 June		3,978,791	3,612,082
Investment properties under construction			
Opening balance at 1 July		77,471	83,793
Property acquisitions		114,014	23,732
Development costs		100,525	45,208
Items reclassified to freehold investment properties		(28,949)	(83,987)
Items reclassified from freehold investment properties		6,109	10,261
Effect of movement in foreign exchange		-	(1,536)
Closing balance at 30 June		269,170	77,471

11.4. Intangible assets

	Notes	2023 \$'000	2022 \$'000
Goodwill			
Opening and closing net book value		43,954	43,954
Other intangible assets			
Opening net book value		2,847	3,243
Additions		998	1,132
Derecognition losses presented within restructuring and other non-recurring costs		-	(238)
Amortisation	6	(775)	(1,290)
Closing net book value		3,070	2,847
Total intangible assets		47,024	46,801

Impairment testing of goodwill

The Group performed its annual impairment test at 30 June 2023 and 30 June 2022.

Goodwill has been allocated to the listed group (NSR). Management have determined that the listed group, which is considered one operating segment (see note 4), is the appropriate CGU against which to allocate these intangible assets owing to the synergies arising from combining the portfolios of the Group.

The recoverable amount of the listed group has been determined based on the fair value less costs of disposal method using the fair value quoted on an active market and an estimate for the value attributable to control over the CGU (e.g. control premium) and costs of disposal. The key estimation input used in the calculation is the control premium. The basis for determining the value assigned to the control premium is reflective of observed examples of premiums to the pre-announcement share prices paid for acquisitions of public companies.

The Group also uses a secondary calculation based on the incremental value attributable to investment properties as a portfolio. This sits above the stand-alone valuation permitted for assessing the fair value of investment property under AASB 140. The portfolio premium is estimated using the same capitalisation method used for the valuation of the investment properties detailed in Note 11.7.

The key estimation input of the portfolio premium is the incremental capitalisation rate. This is determined from independent valuations with regard to observable premiums paid from recent sales of portfolio transactions, and assessing the level of premium which would be attached to a portfolio of the Group's size. Management believes an incremental capitalisation rate of between 50 to 100 basis points to the portfolio is the minimum level appropriate to be used in this calculation.

As a result of the analysis, management did not identify an impairment for this CGU.

11.5. Deferred revenue

	2023 \$'000	2022 \$'000
Deferred rental income revenue	17,045	17,600

Deferred rental income revenue represents funds received in advance from customers.

11.6. Provisions

	2023 \$'000	2022 \$'000
Current		
Make good provisions	243	-
Annual leave	3,304	2,615
Long service leave	1,400	1,311
	4,947	3,926
Non-current		
Make good provisions	7,695	8,079
Long service leave	1,664	1,182
	9,359	9,261
Reconciliation of movement in make good provisions		
As at 1 July	8,079	2,773
Arising on acquisition of leasehold investment property	-	398
Reassessment of existing provisions	760	6,836
Movement in discount rates	(901)	(1,928)
Utilised	-	-
As at 30 June	7,938	8,079

The Group is required to restore the leased premises in a number of leasehold properties to their original condition at the end of lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

11.7. Non-financial assets fair value measurement

The Group has classified its non-financial assets held at fair value into the three levels prescribed in note 10.8 to provide an indication about the reliability of inputs used to determine fair value.

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2023					
Leasehold investment properties	11.3	-	-	136,775	136,775
Freehold investment properties	11.3	-	-	3,978,791	3,978,791
		-	-	4,115,566	4,115,566
At 30 June 2022					
Leasehold investment properties	11.3	-	-	140,681	140,681
Freehold investment properties	11.3	-	-	3,612,082	3,612,082
		-	-	3,752,763	3,752,763

Recognised fair value measurements

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 or between levels 2 and 3 for recurring fair value measurements during the current or prior year.

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 buildings, are held for rental to customers requiring self-storage facilities and are carried at fair value. Changes in fair values are presented in profit or loss as fair value adjustments.

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years unless the underlying financing

requires a more frequent valuation cycle. For properties subject to an independent valuation report the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Director valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

The Group obtains the majority of its independent valuations at each 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. Investment properties acquired in the year ended 30 June 2023 have been held at acquisition price.

At 30 June 2023, the Group held 37% of freehold investment properties and 37% of leasehold investment properties at external valuation (30 June 2022: 41% of freehold investment properties and 23% of leasehold investment properties).

Valuation inputs and relationship to fair value

Description	Significant unobservable inputs	Range at 30 June 2023	Range at 30 June 2022
Investment properties - freehold	Primary capitalisation rate	4.7% to 7.9%	4.7% to 7.3%
	Secondary capitalisation rate	5.3% to 8.1%	5.3% to 8.5%
	Weighted average primary cap rate	5.8%	5.8%
	Weighted average secondary cap rate	6.4%	6.3%
	Sustainable occupancy	73% to 95%	70% to 98%
	Stabilised average EBITDA	\$1,134,151	\$1,087,144
Investment properties - leasehold	Primary capitalisation rate	6.0% to 55.0%	6.0% to 53.9%
	Secondary capitalisation rate	6.5% to 55.0%	6.5% to 53.9%
	Weighted average primary cap rate	13.4%	11.2%
	Weighted average secondary cap rate	13.6%	12.1%
	Sustainable occupancy	85% to 92%	85% to 95%
	Stabilised average EBITDA	\$390,860	\$368,167

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

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

The capitalisation rates are derived from recent sales of similar properties. The secondary capitalisation rate is typically higher than the primary capitalisation rate to reflect the additional risk associated with these cashflows. Generally, an increase in stabilised 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 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 30 June 2023:

Unobservable inputs	Leasehold		Freehold	
	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(3,275) / 4,200	1% / (1%)	(524,915) / 746,138
Secondary capitalisation rate	2% / (2%)	(575) / 950	2% / (2%)	(94,237) / 186,433
Sustainable occupancy	5% / (5%)	8,125 / (3,475)	5% / (5%)	256,914 / (136,278)
Stabilised EBITDA	5% / (5%)	2,100 / (1,375)	5% / (5%)	182,084 / (131,438)

At 30 June 2022:

Unobservable inputs	Leasehold		Freehold	
	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000	Increase/ (decrease) in input	Increase/ (decrease) in fair value \$'000
Primary capitalisation rate	1% / (1%)	(4,125) / 5,250	1% / (1%)	(480,713) / 684,897
Secondary capitalisation rate	2% / (2%)	(850) / 1,225	2% / (2%)	(76,979) / 151,904
Sustainable occupancy	5% / (5%)	6,025 / (1,525)	5% / (5%)	208,659 / (81,373)
Stabilised EBITDA	5% / (5%)	2,225 / (1,025)	5% / (5%)	164,884/ (62,541)

12. INFORMATION RELATING TO SUBSIDIARIES

The ultimate holding company of the Group is National Storage Holdings Limited. This entity is domiciled in Australia.

The consolidated financial statements of the Group as at 30 June 2023 include:

Name of controlled entity	Place of incorporation	Equity interest	
		2023	2022
National Storage (Operations) Pty Ltd	Australia	100%	100%
National Storage Financial Services Limited	Australia	100%	100%
Wine Ark Pty Ltd	Australia	100%	100%
Southern Cross Storage Operations Pty Ltd	Australia	100%	100%
National Storage Finance Pty Ltd	Australia	100%	100%
NS Development Co 1 Pty Ltd	Australia	100%	100%
National Storage Limited	New Zealand	100%	100%
National Storage Investment Trust	Australia	100%	100%
National Storage Victorian Property Trust	Australia	100%	100%
National Storage New Zealand Property Trust*	Australia	100%	100%
National Storage Southern Trust	Australia	100%	100%

In addition, the result of NSPT has been consolidated due to the stapling arrangement between NSPT and NSH which constitutes NSR. Equity attributable to NSPT is presented as non-controlling interest.

* NSNZPT is an Australian registered trust which holds investment properties in New Zealand

13. INTEREST IN JOINT VENTURES AND ASSOCIATES

Interest in joint ventures

	2023 \$'000	2022 \$'000
Opening balance at 1 July	7,433	5,653
Share of (loss) / profit from joint ventures*	(20)	1,780
Distributions received from joint ventures	(1,619)	-
Closing balance at 30 June	5,794	7,433

* Included within share of (loss) / profit from joint ventures in the year ended 30 June 2023 was \$0.1m representing NSR's share of fair value loss related to investment properties held by joint ventures (30 Jun 2022: \$2.0m gains).

The Group held a 25% interest in the Bundall Storage Trust, Bundall Commercial Trust, Bundall Storage Operations Pty Ltd, the TBF & NS Trust, and Moorooka Storage Operations Pty Ltd at 30 June 2023.

The Bundall Commercial Trust derives rental property income from the leasing of commercial units and the Bundall Storage Trust develops investment property for the purpose of earning future rental income. As at 30 June 2023, the Bundall Storage Trust had one storage centre investment property. Bundall Storage Operations Pty Ltd operates a self-storage business at the centre owned by the Bundall Storage Trust.

During the year ended 30 June 2023, the Group acquired one storage centre investment property asset from the TBF & NS Trust for \$27.1m. This centre was previously operated by Moorooka Storage Operations Pty Ltd. There was no change in the share of the Group's interest following this transaction.

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

Interest in associates

	2023 \$'000	2022 \$'000
Opening balance at 1 July	3,095	2,228
Capital contribution in associate	100	906
Share of loss from associates	(3)	(39)
Closing balance at 30 June	3,192	3,095

The Group holds a 21% (30 June 2022: 19%) holding in Spacer Technologies Pty Ltd ("**Spacer**"). Spacer operate online peer-to-peer marketplaces for parking and self-storage in Australia and North America. During the year ended 30 June 2023, the Group made a capital contribution of \$0.1m into Spacer. (30 Jun 2022: \$0.9m).

See note 18 for fees received and purchases from joint ventures and associates. None of the Group's joint ventures or associates are listed on any public exchange.

14. CONTRIBUTED EQUITY

	2023 \$'000	2022 \$'000
Issued and paid up capital	191,938	163,526
Number of stapled securities on issue	2023	2022
Opening balance at 1 July	1,195,498,309	1,183,070,060
Institutional and retail capital raises	141,229,611	-
Distribution reinvestment plan	10,928,651	11,919,173
Securities issued under equity incentive plan	726,021	509,076
Closing balance at 30 June	1,348,382,592	1,195,498,309

Institutional and retail capital raises

On 22 March 2023, the Group announced a fully underwritten \$300m institutional placement and a non-underwritten Security Purchase Plan which raised an additional \$40.4m. This resulted in the issue of 124,481,328 new stapled securities on 28 March 2023 and 16,748,283 new stapled securities on 26 April 2023. The issue price represented a discount of 4.0% on the last closing price of NSR stapled securities on 21 March 2023.

Distribution reinvestment plan

During the year, 10,928,651 (2022: 11,919,173) stapled securities were issued to securityholders participating in the Group's Distribution Reinvestment Plan for consideration of \$25.7m (2022: \$27.6m). 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.

Securities issued under equity incentive plan

During the year 726,021 stapled securities were issued to the NSH senior executive team for FY22 Short-Term Incentive ("**STI**") and Long-Term Incentive ("**LTI**") remuneration under the Group's Equity Incentive Plan ("**the Plan**"). These securities were issued following approval at the 2022 AGM on 26 October 2022. No consideration was paid by the recipients for the issue of the stapled securities, which were issued for a deemed price of \$2.259 per stapled security under the terms of the STI and LTI award. The deemed price was calculated using the volume weighted average market price of the Group's stapled securities over a 30-day trading period to 30 June 2022.

Terms and conditions of contributed equity

Stapled securities

A stapled security represents one share in NSH and one unit in NSPT. Stapled securityholders have the right to receive declared dividends from NSH and distributions from NSPT and are entitled to one vote per stapled security at securityholders' meetings. Holders of stapled securities can vote their shares and units in accordance with the Corporations Act 2001, either in person or by proxy, at a meeting of either NSH or NSPT. The stapled securities have no par value.

In the event of the winding up of NSH and NSPT, stapled securityholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held. Ordinary stapled securityholders rank after all creditors in repayment of capital. There is no current on or off market security buy-back.

15. OTHER RESERVES

	2023 \$'000	2022 \$'000
Share-based payment reserve		
Opening balance at 1 July	2,556	-
Expense for the year	1,504	2,556
Issue of securities upon vesting	(1,640)	-
Closing balance at 30 June	2,420	2,556
Foreign currency translation reserve		
Opening balance at 1 July	(141)	3
Foreign exchange translation differences	64	(144)
Closing balance at 30 June	(77)	(141)
Other reserves	2,343	2,415

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel as part of their remuneration. Refer to note 21 for further details of these plans.

The financial statements for the Group are prepared on the basis that NSH was the acquirer of NSPT. On this basis, foreign currency translation reserve and share-based payment reserve movements relating to the NSH Group are presented within other reserves in the Group's consolidated statement of changes in equity.

The movements below in foreign currency translation reserve and cashflow hedge reserve relating to the NSPT Group are presented within non-controlling interest in the Group's consolidated statement of changes in equity.

	NSPT Group	
	2023 \$'000	2022 \$'000
Foreign currency translation reserve		
Opening balance at 1 July	(6,190)	(1,504)
Net investment hedge	1,158	700
Foreign exchange translation differences	3,135	(5,386)
Closing balance at 30 June	(1,897)	(6,190)
Cash flow hedge reserve		
Opening balance at 1 July	10,636	(16,157)
Revaluation of cash flow hedges	(4,780)	18,981
Reclassification to consolidated statement of profit or loss (see note 7)	5,359	7,815
Taxation impact on revaluation (see note 9)	-	(3)
Closing balance at 30 June	11,215	10,636
Other reserves	9,318	4,446

The hedging reserve is used to record gains or losses on derivatives that are designated as cash flow hedges and recognised in other comprehensive income, as described in note 2(n). Amounts are reclassified to profit or loss in the period when the associated hedged transaction takes place.

In previous years, the Group has reset the interest rates associated with interest rate derivatives designated as cash flow hedges. In accordance with AASB 9 *Financial instruments*, as the nature of the underlying hedged instrument is unchanged the fair value of these outflows remain in the cash flow hedge reserve and are amortised to the consolidated statement of profit or loss in both the current and

future periods relating to the profile of the original instrument. During the year ended 30 June 2023, \$5.4m (30 June 2022: \$7.8m) has been recognised in finance costs relating to this item (see note 7).

Taxation impact on revaluation applies only to cash flow hedges held in NSNZPT, a sub-trust of NSPT, which is subject to New Zealand tax legislation. Deferred tax does not apply to cash flow hedges held in the NSPT Group under current Australian tax legislation. The cash flow hedge is included in non-controlling interest in the Consolidated Group.

16. FINANCIAL RISK MANAGEMENT

This note outlines the Group's exposure to financial risks and how these risks could affect future financial performance.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses derivative financial instruments such as interest rate swaps, caps, and interest rate swaptions to hedge certain market risk exposures.

Risk management for the Group is carried out by the NSH Board and key management personnel of NSH. The NSH Board of Directors analyses, on behalf of the Group, interest rate exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Group has the following derivative financial instruments:

	Notes	2023 \$'000	2022 \$'000
Interest rate derivatives not designated as hedging instruments presented in:			
Non-current assets	10.3	3,343	-
Non-current liabilities	10.6	(1,289)	-
Net assets		2,054	-
Interest rate derivatives designated as cash flow hedges presented in:			
Current assets	10.3	519	387
Non-current assets	10.3	15,964	20,876
Net assets		16,483	21,263

Classification of derivatives

Derivatives entered into prior to 30 June 2022 were designated as cash flow hedges with changes in the fair value of the instrument recognised in other comprehensive income and accumulated in the Groups cash flow hedge reserve. The Group continues to hedge account for these derivatives until the expiry date of the instrument. The Group will discontinue hedge accounting should the instrument fail to meet the risk management objective, no longer comply with the qualifying criteria or is sold or terminated.

Derivatives entered into for the year ended 30 June 2023 have not been designated as hedging instruments and are therefore classified as held for trading. Changes in the fair value of the derivatives is recognised directly in fair value adjustments within the consolidated statement of profit or loss. All derivatives are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for cash flow hedges is set out in note 2(n). For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has included related hedging gains and losses in the initial measurement of the cost of the asset. The ineffectiveness recognised in the consolidated statement of profit or loss was immaterial.

Fair value measurement

For information about the methods and assumptions used in determining fair values of derivatives refer to note 10.8.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, currency risk and other price risk, such as equity price and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments, and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 30 June 2023 and 30 June 2022. The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant on the basis of hedge designations in place at each year end.

The analysis excludes the impact of movements in market variables on provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating sensitivity analysis:

- The sensitivity of the relevant consolidated statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets held at 30 June 2023 and 30 June 2022 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary in place at 30 June 2023 and 30 June 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to their long-term debt obligations with floating interest rates.

The Group manages its interest rate margin risk by having a balanced portfolio of debt from different providers and markets, with multiple maturities. The Group's borrowings are principally by way of variable rate loans and borrowings. Interest rate risk is managed by using financial derivatives, which include interest rate swaps, forwards, options and caps. At 30 June 2023, after taking into account the effect of interest rate derivatives, 36.5% (2022: 36.9%) of the Group's borrowings are at a fixed rate of interest.

Interest rate sensitivity

The following table demonstrates the sensitivity to a possible change in interest rates on the portion of loans and borrowings affected, after the impact of hedge accounting.

	Increase/ decrease in basis points	Effect on profit before tax \$'000
2023		
Australian dollar denominated debt	+50 / -50	(3,067) / 3,067
New Zealand dollar denominated debt	+50 / -50	(775) / 775
2022		
Australian dollar denominated debt	+50 / -50	(1,962) / 1,962
New Zealand dollar denominated debt	+50 / -50	(2,008) / 2,008

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency), and the Group's net investment in foreign subsidiaries.

The Group hedges its exposure to fluctuations on the translation into Australian dollars of its foreign operations by holding net borrowings in foreign currencies.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a possible change in New Zealand Dollar exchange rate with all other variables held constant.

	Change in NZD rate	Effect on profit before tax \$'000	Effect on pre- tax equity \$'000
2023	+5%	(628)	(9,326)
	-5%	694	12,495
2022	+5%	(1,669)	(4,678)
	-5%	1,845	7,055

The movement in the profit before tax is a result of a change in the fair value of the monetary assets and liabilities denominated in NZD. The movement in pre-tax equity arises from changes in NZD borrowings in the hedge of net investments in New Zealand operations and cash flow hedges. These movements will offset the translation of New Zealand operations' net assets into AUD.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

Trade receivables

The exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of each customer. The Group's customer credit risk is managed by requiring customers to pay monthly rentals in advance. Customer credit risk is reduced through a contractual lien over the contents stored in the rented units. The terms of the storage agreement provide for the auction of the customer's stored contents to recover any unpaid amounts. Outstanding customer receivables are regularly monitored and credit concerns reviewed.

The allowance for expected credit losses represents an estimate of trade receivables that are not considered to be recoverable. For the year ended 30 June 2023, the Group has recognised an expected loss provision of \$281,000 (30 June 2022: \$219,000) based on lifetime expected credit losses at each reporting date. The Group assesses this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to classification groups of receivables.

Cash and cash equivalents

The Group's credit risk on cash and cash equivalents is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk for the components of the consolidated statement of financial position at 30 June 2023 and 30 June 2022 is the carrying amounts as indicated in the consolidated statement of financial position.

Guarantees

Credit risk also arises in relation to financial guarantees given to certain parties (refer to notes 19, 23, and 24). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The objective of managing liquidity risk is to ensure the Group will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. NSH on behalf of the Group has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring cash flows on a daily basis as well as forecasting cash flows on a medium and long-term basis.
- Monitoring the maturity profiles of financial assets and liabilities in order to match cashflows.
- Maintaining adequate reserves and support facilities.
- Monitoring liquidity ratios and all constituent elements of working capital.
- Maintaining adequate borrowing and finance facilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2023 \$'000	2022 \$'000
Expiring within one year (bank overdraft)	3,000	3,000
Expiring within one year (loans)	30,000	-
Expiring beyond one year (loans)	639,947	307,906
Total	672,947	310,906

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. All other unsecured bank loans may be drawn at any time and are subject to an annual review. Further details of the bank loans are detailed in notes 10.5 and 17.

Maturity of financial liabilities

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. As amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments, these balances will not necessarily agree with the amounts disclosed on the consolidated statement of financial position.

	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
At 30 June 2023						
<i>Non-derivatives</i>						
Trade and other payables	1,310	22,535	6,272	1,283	-	31,400
Borrowings	-	17,447	51,352	893,441	245,713	1,207,953
Lease liabilities	-	3,798	11,747	50,598	63,310	129,453
Distribution payable	-	74,161	-	-	-	74,161
Total non-derivatives	1,310	117,941	69,371	945,322	309,023	1,442,967
<i>Derivatives</i>						
Inflows	-	(3,084)	(7,954)	(10,573)	(231)	(21,842)
Outflows	-	33	175	925	-	1,133
Total derivatives	-	(3,051)	(7,779)	(9,648)	(231)	(20,709)
	1,310	114,890	61,592	935,674	308,792	1,422,258

	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
At 30 June 2022						
<i>Non-derivatives</i>						
Trade and other payables	963	21,876	1,097	461	-	24,397
Borrowings	-	10,745	37,886	1,057,449	28,983	1,135,063
Lease liabilities	-	3,738	11,593	57,366	72,533	145,230
Distribution payable	-	64,557	-	-	-	64,557
Total non-derivatives	963	100,916	50,576	1,115,276	101,516	1,369,247
<i>Derivatives</i>						
Inflows	-	(1,967)	(6,479)	(17,220)	-	(25,666)
Outflows	-	336	824	2,053	-	3,213
Total derivatives	-	(1,631)	(5,655)	(15,167)	-	(22,453)
	963	99,285	44,921	1,100,109	101,516	1,346,794

Changes in liabilities arising from financing activities

	1 July 2022 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	Change in fair value \$'000	New leases \$'000	Other \$'000	30 June 2023 \$'000
<i>Interest rate derivatives:</i>							
Non-current financial liabilities	-	-	-	1,289	-	-	1,289
Distributions payable	64,557	(104,888)	-	-	-	114,492*	74,161
Borrowings	972,017	(30,948)	2,426	-	-	(2,362)	941,133
Lease liabilities							
Current liabilities	10,636	(10,677)*	-	-	342	10,984	11,285
Non-current liabilities	97,954	-	2	-	1,532	(9,402)	90,086
Total liabilities from financing activities	1,145,164	(146,513)	2,428	1,289	1,874	113,712	1,117,954

	1 July 2021 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	Change in fair value \$'000	New leases \$'000	Other \$'000	30 June 2022 \$'000
<i>Interest rate derivatives:</i>							
Current financial liabilities	22	-	-	(22)	-	-	-
Non-current financial liabilities	103	-	-	(103)	-	-	-
Distributions payable	49,689	(76,779)	-	-	-	91,647*	64,557
Borrowings	758,050	220,344	(6,262)	-	-	(115)	972,017
Lease liabilities							
Current liabilities	9,037	(9,023)**	-	-	496	10,126	10,636
Non-current liabilities	101,663	-	-	-	4,101	(7,810)	97,954
Total liabilities from financing activities	918,564	134,542	(6,262)	(125)	4,597	93,848	1,145,164

* Other balances presented above represent distributions declared in the year: \$140.2m (30 June 2022: \$119.2m) (see note 17), less units issued under the distribution reinvestment plan which do not result in a cash outflow: \$25.7m (30 June: 2022: \$27.6m), (see note 14).

** Relates to principal portion of lease liability payment. Total lease payments for the year ended 30 June 2023 were \$14.6m (30 June 2022: \$15.6m) as disclosed in the Consolidated Statement of Cashflows.

17. CAPITAL MANAGEMENT

The Group's objectives when managing capital are two-fold, to safeguard its ability to continue as a going concern, and to maintain an optimal structure to reduce the cost of capital and maximise long term value for its securityholders.

In order to achieve these objectives, the Group's capital management strategy aims to ensure that it meets financial covenants attached to interest-bearing loans and borrowings. Breaches in meeting a financial covenant could permit the lender to immediately call loans and borrowings. There have been no breaches of financial covenants relating to any loans and borrowings in the current or prior year. The Group manages its capital structure and makes adjustments to reflect changes in economic conditions and the requirements of its financial covenants. To maintain or adjust the capital structure, the Group may adjust the distribution payment to securityholders, return capital to securityholders or issue new securities.

The Group monitors capital using a gearing ratio, which is consistent with the methodology held within the Common Terms Deed relating to the Group's borrowings.

As at 30 June 2023, the Group's gearing ratio was 19.8% (30 June 2022: 23.0%), below the targeted range of between 25% and 40%.

Loan covenants

Financial covenants under the terms of the Group's borrowing agreement require the Group to ensure that the gearing ratio does not exceed 55% and operating earnings adjusted for interest, tax, depreciation and finance amortisation costs equals or exceeds a multiple of two times interest expense. The Group has complied with these covenants throughout the reporting period.

Dividends and distributions

Distributions have been made and declared as noted below.

	NSPT Group	
	2023	2022
	\$'000	\$'000
NSPT interim distribution of 5.5 cents per unit paid on 1 March 2023 (2022: 4.6 cents per unit)	66,001	54,685
NSPT final distribution of 5.5 cents per unit payable on 5 September 2023 (2022: 5.4 cents per unit)	74,161	64,557
	<u>140,162</u>	<u>119,242</u>

There are no proposed distributions not recognised as a liability for the year ended 30 June 2023. The Directors of NSH have not declared an interim or final dividend for the year ended 30 June 2023.

Franking credit balance

	2023	2022
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	<u>17,409</u>	<u>4,812</u>

The above amounts are calculated from the balance of the NSH franking account at the end of the reporting period.

The NSPT Group does not have franking credits as distributions are paid from NSPT which is not liable to pay income tax provided all taxable income is distributed.

18. RELATED PARTY TRANSACTIONS

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial years.

Transactions with Related Parties		Revenue from related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
		\$	\$	\$	\$
Bundall Commercial Trust	2023	230,036	-	2,915,866	-
	2022	225,507	-	2,683,928	-
Bundall Storage Trust	2023	327,056	-	3,717,686	-
	2022	322,257	-	3,390,434	-
Bundall Storage Operations Pty Ltd	2023	199,408	-	390,732	-
	2022	132,529	-	175,293	-
Spacer Technologies Pty Ltd	2023	-	73,148	-	-
	2022	-	87,684	-	-
The TBF & NS Trust	2023	224,026	-	51,346	-
	2022	832,498	-	3,837,538	-
Moorooka Storage Operations Pty Ltd	2023	38,217	-	41,551	-
	2022	30,000	-	29,950	-

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

As at 30 June 2023, the Group had receivables outstanding of \$1,775,000 (30 June 2022: \$1,775,000) with the Bundall Commercial Trust and \$2,850,000 (30 June 2022: \$2,850,000) with the Bundall Storage Trust, and \$nil (30 June 2022: \$1,150,000) with the TBF & NS Trust relating to amounts drawn down under facility agreements between the entities. These are included in the table above.

The facility agreements have terms ranging from 1 to 5 years and are interest bearing on commercial rates. The receivables with the Bundall Storage Trust, Bundall Commercial Trust have been classed as current receivables in the consolidated statement of financial position as these receivables are expected to be repaid within 12 months of 30 June 2023. All other outstanding balances are unsecured and interest free.

The remaining amounts owed by these entities relate to management fees and accrued interest not paid at 30 June 2023 and 30 June 2022.

There have been no guarantees provided or received for any related party receivables or payables. For the years ended 30 June 2023 and 30 June 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Key management personnel compensation

	Consolidated Group	
	2023 \$'000	2022 \$'000
Short-term employee benefits	4,571	4,213
Post-employment benefits	122	113
Equity settled short-term benefits	576	492
Equity settled long-term benefits	1,148	1,148
Other long-term benefits	546	543
	<u>6,963</u>	<u>6,509</u>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period relating to key management personnel (KMP). Detailed remuneration disclosures are provided in the Remuneration Report which is included in the Directors' Report.

Key management personnel's interest in the Equity Incentive Plan

Performance rights held by key management personnel under the Equity Incentive Plan for the year ended 30 June 2023 and 30 June 2022 are listed below:

Date of grant	Assessment period	2023	2022
		Number outstanding	Number outstanding
2022	1-Jul-20 to 30-Jun-23	561,700	561,700
2022	1-Jul-21 to 30-Jun-24	561,700	561,700
2023	1-Jul-22 to 30-Jun-25	595,100	-
		<u>1,718,500</u>	<u>1,123,400</u>

19. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2023, the Group held commitments to purchase three freehold investment properties and six development sites in Australia and New Zealand for \$69.4m (30 June 2022: four freehold investment properties and six development sites for \$78.4m).

As at 30 June 2023, the Group has contractual commitments in place for the construction of self-storage centres in Australia for \$161.4m (30 June 2022: \$68.9m). (see note 11.3).

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.

Lease liability commitments

For details of lease liability commitments see note 10.7.

Guarantees and contingent liabilities

The Group has provided bank guarantees of \$6.8m (2022: \$4.2m). These are provided to third party lessors and other related entities.

The Group did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

20. EARNINGS PER STAPLED SECURITY ("EPS")

Basic earnings per stapled security is calculated as net profit attributable to stapled security holders, adjusted to exclude costs of servicing equity (other than distributions) divided by the weighted average number of stapled securities on issue during the period under review.

Diluted earnings per stapled security adjust the figures used in the determination of basic earnings per share to take into account:

- The after tax effect of interest and other financing costs associated with dilutive potential stapled securities; and
- The weighted average number of additional stapled securities that would have been outstanding assuming the conversion of all dilutive potential stapled securities.

	2023 cents	2022 cents (restated)
Basic earnings per stapled security	25.79	51.79
Diluted earnings per stapled security	25.75	51.71

Reconciliation of earnings used in calculating earnings per stapled security

	\$'000	\$'000
Net profit attributable to members	320,400	620,618

	No. of securities	No. of securities (restated)
Weighted average number of securities on issue during the year	1,236,914,113	1,189,922,871
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	5,615,488	8,523,589
Weighted average number of securities used to calculate basic and diluted earnings per stapled securities	<u>1,242,529,601</u>	<u>1,198,446,460</u>
Effects of dilution from issue of performance rights and restricted securities	1,539,970	1,849,417
Weighted average number of securities for diluted earnings per stapled security	<u>1,244,069,571</u>	<u>1,200,295,877</u>

As required by AASB 133 *Earnings per share*, for issues of capital raises during the year ended 30 June 2023 and 30 June 2022, the weighted average number of securities on issue used to calculate statutory basic and diluted earnings per stapled securities has been adjusted to reflect the difference between the issue price and the fair value of securities prior to issue. No actual securities were issued relating to this adjustment.

The weighted average number of stapled securities for the year ended 30 June 2022 used to calculate basic and diluted earnings per stapled securities has also been restated on this basis.

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.

21. SHARE-BASED PAYMENTS

Executive remuneration plan

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

Short-term incentive remuneration

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

The maximum value of the STI payable under the FY23 award is set at 30 June 2022, with the number of instruments to be granted calculated using the 30-day volume weighted average price ("VWAP") to 30 June 2023.

For the year ended 30 June 2023, the Group has recognised \$0.6m of share-based payment expense in the consolidated statement of profit or loss for restricted securities expected to be issued under the FY23 STI award (30 June 2022: \$0.5m).

Long-term incentive remuneration

The equity component of LTI remuneration is structured through the issuance of performance rights at the commencement of a three-year LTI assessment period. Each performance right is a right to receive one stapled security of the Group, subject to the satisfaction of pre-determined service and vesting conditions. The vesting conditions include total shareholder return ("TSR") and earnings per share growth targets. In the event these vesting conditions are not met, the performance rights will lapse. There is no consideration payable by the participant upon vesting of the performance rights.

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

	2023 No. of rights	2022 No. of rights
Outstanding as at 1 July	1,123,400	-
Granted during the year	595,100	1,123,400
Forfeited during the year	-	-
Outstanding at 30 June	1,718,500	1,123,400
Exercisable at 30 June	561,700	-

Fair value of performance rights

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

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

Both models were prepared by an independent valuation expert.

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

	Grant date	Vesting date	Share price at grant date \$	Expected volatility %	Dividend yield %	Risk-free interest rate %
FY23 performance rights	22-Nov-21	30-Jun-23	2.43	35.04	3.37	0.57
FY24 performance rights	22-Nov-21	30-Jun-24	2.43	30.22	3.37	0.96
FY25 performance rights	11-Nov-22	30-Jun-25	2.49	32.20	4.34	3.16

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the performance rights is indicative of future trends, which may not necessarily be the actual outcome.

The weighted average fair value of performance rights granted during the year ended 30 June 2023 was \$1.61 (year ended 30 June 2022: \$1.63).

Expenses arising from performance rights

For the year ended 30 June 2023, the Group has recognised \$0.9m of share-based payment expense in the consolidated statement of profit or loss for performance rights granted (30 June 2022: \$2.1m). There were no cancellations or modifications to the awards in 2022 or 2023.

22. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

	2023 \$	2022 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
Category 1 – Fees for auditing the statutory financial report of the group and any other group entity	712,094	647,100
Category 2 – Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Category 3 – Fees for other assurance services under other legislation or contractual arrangements where there is discretion on service provider	38,200	35,200
Category 4 – Fees for other services	70,716	61,725
Total auditors' remuneration	821,010	744,025

23. INFORMATION RELATING TO THE PARENT ENTITY

Summary financial information

The individual financial statements for NSH, the parent entity, show the following aggregate amounts:

	2023 \$'000	2022 \$'000
Current assets	122,620	116,350
Total assets	145,165	138,551
Current liabilities	(21,560)	(21,618)
Total liabilities	(22,298)	(21,618)
Net assets	122,867	116,933
Issued capital	190,186	161,774
Other reserves	2,420	2,556
Retained earnings / (deficit)	(69,739)	(47,397)
	122,867	116,933
Loss after tax	(22,437)	(18,638)
Total comprehensive income / (loss)	(22,437)	(18,638)

Guarantees entered into by the parent entity

The Group's parent entity has provided bank guarantees of \$2.4m (2022: \$0.1m). These are provided to third party lessors and other related entities. In addition, there are cross guarantees given by National Storage Holdings Limited, National Storage (Operations) Pty Ltd, Southern Cross Storage Operations Pty Ltd, and National Storage Pty Ltd as described in note 24. No deficiencies of assets exist in any of these companies.

Contingent liabilities of the parent entity

The Group's parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

24. DEED OF CROSS GUARANTEE

As at 30 June 2023 and 30 June 2022, National Storage Holdings Limited, National Storage (Operations) Pty Ltd, Southern Cross Storage Operations Pty Ltd and National Storage Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (wholly-owned companies) instrument 2016/785 issued by the Australian Securities and Investments Commission.

Set out below is a consolidated statement of comprehensive income and consolidated statement of financial position of the entities that are parties to a deed of cross guarantee.

Consolidated statement of comprehensive income	2023 \$'000	2022 \$'000
Profit before income tax	48,522	30,529
Income tax expense	(12,053)	(8,126)
Profit after tax	36,469	22,403
Retained earnings at the beginning of the year	31,646	7,943
Dividends received	1,200	1,300
Retained earnings at the end of the year	69,315	31,646

Consolidated statement of financial position	2023 \$'000	2022 \$'000
Current assets		
Cash and cash equivalents	21,797	26,616
Trade and other receivables	161,921	84,944
Inventories	1,528	1,405
Other current assets	10,129	6,237
Total current assets	195,375	119,202
Non-current assets		
Trade and other receivables	135	135
Property, plant and equipment	1,168	1,285
Right of use assets	3,719	5,002
Investment properties	1,398,267	1,241,177
Investments	5,932	5,932
Intangibles	29,310	29,646
Deferred tax asset	8,810	9,226
Other non-current assets	7,294	16,676
Total non-current assets	1,454,635	1,309,079
Total assets	1,650,010	1,428,281
Liabilities		
Current liabilities		
Trade and other payables	20,785	16,973
Lease liabilities	10,240	9,808
Deferred revenue	15,404	15,720
Income tax payable	8,625	9,181
Provisions	4,731	3,721
Total current liabilities	59,785	55,403
Non-current liabilities		
Trade and other payables	1,283	-
Lease liabilities	1,317,662	1,167,737
Provisions	9,359	9,261
Total non-current liabilities	1,328,304	1,176,998
Total liabilities	1,388,089	1,232,401
Net assets	261,921	195,880
Equity		
Contributed equity	190,186	161,774
Other reserves	2,420	2,556
Retained profits	69,315	31,550
Total equity	261,921	195,880

25. EVENTS AFTER REPORTING PERIOD

For the period from 1 July 2023 to the date of this report the Group settled two storage centre investment properties, two development sites, and purchased the freehold of a leasehold component of an existing centre for total consideration of \$45.3m.

On 22 August 2023, the Group secured \$150m of new senior unsecured debt facilities, comprised of a \$50m three-year facility and a \$100m five-year facility. In addition, the Group extended \$30m of existing undrawn facilities maturing September 2023 for a period of one year.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
 - (a) the financial statements and notes of the Group for the year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the *Corporations Regulations 2001*;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and
 - (c) there are reasonable grounds to believe that NSR will be able to pay its debts as and when they become due and payable.
 - (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

On behalf of the Board,



Anthony Keane
Non-Executive Chairman
23 August 2023
Brisbane



Andrew Catsoulis
Managing Director
23 August 2023
Brisbane



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

Report on the audit of the financial report

Opinion

We have audited the financial report of National Storage REIT (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Investment property valuation

Why significant	How our audit addressed the key audit matter
Investment properties represent approximately 98% of the Group’s total assets. These assets are carried at fair value, which is assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at reporting date. This was considered a key audit matter due to the number of judgments required in determining fair value. These judgments include assessing the capitalisation rates, sustainable occupancy and stabilised average EBITDA (earnings before interest, tax, depreciation and amortisation). Disclosure relating to investment properties and the associated significant judgments are included in Notes 2(n), 3, 9.1, and 9.2 to the financial report.	Our audit procedures included the following: ▶ With the involvement of our real estate valuation specialists, we assessed: ▶ The suitability of the valuation methodologies used; ▶ The competence, qualifications and objectivity of both the Group’s internal valuers and external valuation experts; and ▶ The reasonableness of key assumptions and inputs used in the valuations. These assumptions and inputs included capitalisation rates, occupancy rates including forecast occupancy levels, and stabilised average EBITDA. ▶ Agreed source data used in the valuations to support tenancy schedules and accounting sub-ledgers; ▶ Tested the mathematical accuracy of the internal valuation model, including assessing key valuation inputs with reference to those applied by the external valuation experts and where relevant we assessed the reasonableness of comparable transactions used in the valuation process; ▶ Where relevant, we evaluated the movement in the capitalisation rates, occupancy rates, and stabilised average EBITDA across the portfolio based on our knowledge of the property portfolio, comparable acquisition transactions in the period, published industry reports and comparable external valuations; and ▶ We considered the adequacy of disclosures in relation to the valuation methods and principles disclosed in Note 2(n) <i>Summary of significant accounting policies - Investment properties</i>, Note 3 <i>Significant accounting judgements, estimates and assumptions - Revaluation of investment properties</i>, Note 9.1 <i>Investment properties</i> and Note 9.2 <i>Non-financial assets fair value measurement</i>.

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2023 annual report, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 57 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of National Storage REIT for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Wade Hansen
Partner
Brisbane
23 August 2023

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 28 July 2023 unless stated below:

(a) Distribution of equity securities

Analysis of numbers of ordinary fully paid stapled security holders by size of holding:

Holding	Total holders
1 - 1,000	1,379
1,001 - 5,000	1,988
5,001 - 10,000	1,392
10,001 - 100,000	2,646
100,001 - And over	152
Total	7,557

There were 456 holders of less than a marketable parcel of stapled securities, representing 21,474 units.

(b) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as at 14 July 2023 are listed below:

Name	Stapled Securities	
	Number held	% of issued securities
HSBC Custody Nominees (Australia) Limited	631,305,639	46.82
J P Morgan Nominees Australia Limited	228,683,925	16.96
Citicorp Nominees Pty Limited	150,959,391	11.20
Perpetual Trustee Company Ltd	95,381,254	7.07
BNP Paribas Nominees Pty Ltd	61,423,886	4.56
National Nominees Limited	31,693,287	2.35
HSBC Custody Nominees (Australia) Limited – A/C 2	16,157,808	1.20
IOOF Investment Services Ltd	4,200,468	0.31
Hooks Enterprise	3,380,000	0.25
BNP Paribas Nominees (NZ) Limited – A/C NZCSD	2,436,209	0.18
Leyshon Investments (Australia) Pty Ltd	2,252,449	0.17
Leendert Hoeksema	1,980,000	0.15
Netwealth Investments Limited	1,908,413	0.14
Brindle Super Pty Ltd	1,523,488	0.11
Green 9 Pty Ltd	1,020,408	0.08
Dorvell Pty Ltd	971,835	0.07
Corporation of the Trustees of the Order of the Sisters of Mercy in QLD	885,817	0.07
BNP Paribas Nominees Pty Ltd Acf Clearstream	866,390	0.06
Navigator Australia Ltd.	854,899	0.06
Storcat Pty Ltd	809,169	0.06
	1,238,694,735	91.87

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	1,718,500	3

(c) Substantial shareholders

Substantial securityholders, as at 14 July 2023, are set out below:

Name	Number held	Percentage
Abacus Storage Funds Management Limited	95,381,254	7.1%
Vanguard Investments Australia Ltd	71,971,657	5.3%

(d) Voting rights

The voting rights attached to the ordinary fully paid stapled securities is one vote per stapled security.



MONTROSE, TAS

Investor RELATIONS

National Storage REIT is listed on the Australian Securities Exchange under the code NSR.

NATIONAL STORAGE REIT SECURITIES

- A stapled security comprises:
- one share in National Storage Holdings Limited; and
 - one unit in the National Storage Property Trust, stapled and traded together as one stapled security.

CONTACT DETAILS

All changes of name, address, Tax File Number, payment instructions and document requests should be directed to the registry.

SECURITIES REGISTRY

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne VIC 3001 Australia
Telephone: 1300 850 505 (Australia only)
International: +61 (0) 3 9415 4000
Email using the online form:
computershare.com/Investor/#Contact/Enquiry

ELECTRONIC INFORMATION

By registering your email address, you can then receive via email notifications and announcements, distribution statements, taxation statements and annual reports.

SECURE ACCESS TO YOUR SECURITYHOLDING

You will need to have your securityholder reference number or holder identification number (SRN/HIN) available to access your holding details.

ONLINE

You can access your securityholding information via link in the Investor Centre section of the corporate website, nationalstorageinvest.com.au, or via the Investor Centre link on registry website at computershare.com.au. To view your securityholding, you will need your SRN/HIN and will be asked to verify your registered postcode (inside Australia) or your country of residence (outside Australia).

PHONE

You can confirm your holding balance, request forms and access distribution and trading information by phoning: 1300 850 505 (Australia only) or calling International: +61 (0) 3 9415 4000 (outside Australia).

DISTRIBUTION DETAILS

Distributions are expected to be paid within 8 to 10 weeks following the end of each semi annual distribution period, which occur in June and December each year. To ensure timely receipt of your distributions, please consider the following:

DIRECT CREDIT

NSR encourages securityholders to receive distribution payments by direct credit. If you wish to register for direct credit or update your payment details, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

TAX FILE NUMBER (TFN)

You are not required by law to provide your TFN, Australian Business Number (ABN) or exemption status. However, if you do not provide your TFN, ABN or exemption, withholding tax at the highest marginal rate for Australian resident members may be deducted from distributions paid to you. If you wish to update your TFN, ABN or exemption status, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

UNPRESENTED CHEQUES

If you believe you have unpresented cheques, please contact the registry and request a search to assist in recovering your funds. If you wish to register for direct credit or update your payment details, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

AMMA STATEMENT AND TAX GUIDE

The annual attribution managed investment trust member annual statement (AMMA Statement) and Tax Guide are dispatched to securityholders in September each year. A copy of the Tax Guide is available at nationalstorageinvest.com.au.

INVESTOR FEEDBACK

If you have any fund specific queries or feedback please telephone NSR Investor Relations on 1800 683 290. Please direct any complaints in writing to NSR Company Secretary at GPO Box 3239, Brisbane QLD 4001, Australia or via the investor feedback form available at: nationalstorageinvest.com.au/investor-feedback/.

Corporate DIRECTORY

RESPONSIBLE ENTITY OF NSPT

National Storage Financial Services Limited (NSFL)
ACN 600 787 246 AFSL 475 228
Level 16, 1 Eagle Street, Brisbane QLD 4000

DIRECTORS

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

COMPANY SECRETARY

Claire Fidler

REGISTERED OFFICE

Level 16, 1 Eagle Street, Brisbane QLD 4000

PRINCIPAL PLACE OF BUSINESS

Level 16, 1 Eagle Street, Brisbane QLD 4000

SHARE REGISTRY

Computershare Investor Services Pty Limited
452 Johnston Street, Abbotsford VIC 3067
Stapled Securities are quoted on the Australian Securities Exchange (ASX)

AUDITORS

Ernst & Young, 111 Eagle Street, Brisbane QLD 4000

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

NSR CALENDAR 2023 - 2024

AUGUST

Full Year Results and Annual Report released

SEPTEMBER

Distribution paid for the six months ended 30 June
Annual AMMA Statement released
Notice of Annual General Meeting released

OCTOBER

Annual General Meeting

FEBRUARY

Half Year Results released
Distribution paid for six months ended 31 December

The dates listed above are indicative only and subject to change.



