ANNUAL **REPORT**
2022

NATIONAL STORAGE

IMPORTANT **INFORMATION**

ABOUT THIS REPORT

Welcome to National Storage REIT's 2022 Annual Report which reports our performance for the financial year 1 July 2021 – 30 June 2022.

THE 2022 REPORTING SUITE INCLUDES:

Annual Report – a review of FY22 performance, strategy and governance.

Financial Report – FY22 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 2022 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.

CONTENTS

OUR **BUSINESS**

National Storage is Australasia's largest self-storage provider, tailoring self-storage solutions to in excess of 90,000 residential and commercial customers across more than 225 storage centres across Australia and New Zealand. National Storage REIT is the only publicly listed, pure play, fully integrated, 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.

IN EXCESS OF **90,000 RESIDENTIAL** AND COMMERCIAL CUSTOMERS AND OVER **225 STORAGE CENTRES** ACROSS AUSTRALIA AND NEW ZEALAND.

FY22 **PERFORMANCE**

FINANCIAL HIGHLIGHTS

$278.9m	Total Revenue	FY21: $217.7m	↑ 28%
$620.6m	IFRS Profit	FY21: $309.7m	↑ 100%
$126.5m	Underlying Earnings[1]	FY21: $86.5m	↑ 46%
10.6cps	Underlying Earnings per Stapled Security	FY21: 8.5cps	↑ 25%
10.0cps	Distribution per Stapled Security	FY21: 8.2cps	↑ 22%
$3.73b	Investment Properties	FY21: $2.95b	↑ 26%

OPERATIONAL HIGHLIGHTS

226	Number of Centres (30 June 2022)	FY21: 211	↑ 15
1,180,000	Square Metres of Net Lettable Area	FY21: 1,100,000	↑ 80,000
88.9%	Group[2] Occupancy	FY21: 86.1%	↑ 2.8%
$268	Group[2] Revenue per Available Metre	FY21: $227	↑ 21%
64%	Operating Margin	FY21: 62%	↑ 2%
616	Employees	FY21: 555	↑ 61

CAPITAL STRENGTH

$4.05b	Total Asset Value	FY21: $3.25b	↑ 25%
23%	Gearing	FY21: 22%	↑ 1%
3.3yrs	Weighted Average Debt Tenor	FY21: 2.8yrs	↑ 0.5
$2.34	Net Tangible Assets per Stapled Security	FY21: $1.89	↑ 24%

1. Underlying earnings is a non-IFRS measure (unaudited)
2. Group – Australia and New Zealand (170 centres), as per 3 & 4 below
3. Australia – 146 centres as at 30 June 2020 (excluding Wine Ark and let-up centres)
4. New Zealand – 24 centres as at 30 June 2021 (excluding let-up centres)

FOUR PILLARS OF GROWTH

1

ORGANIC GROWTH

NSR achieves organic growth through a combination of occupancy and rate increases assessed on an individual centre basis

2

ACQUISITIONS

NSR has executed over 160 high-quality acquisitions since its IPO in 2013 – a growth rate unmatched in the Australasian market

3

DEVELOPMENT AND EXPANSION

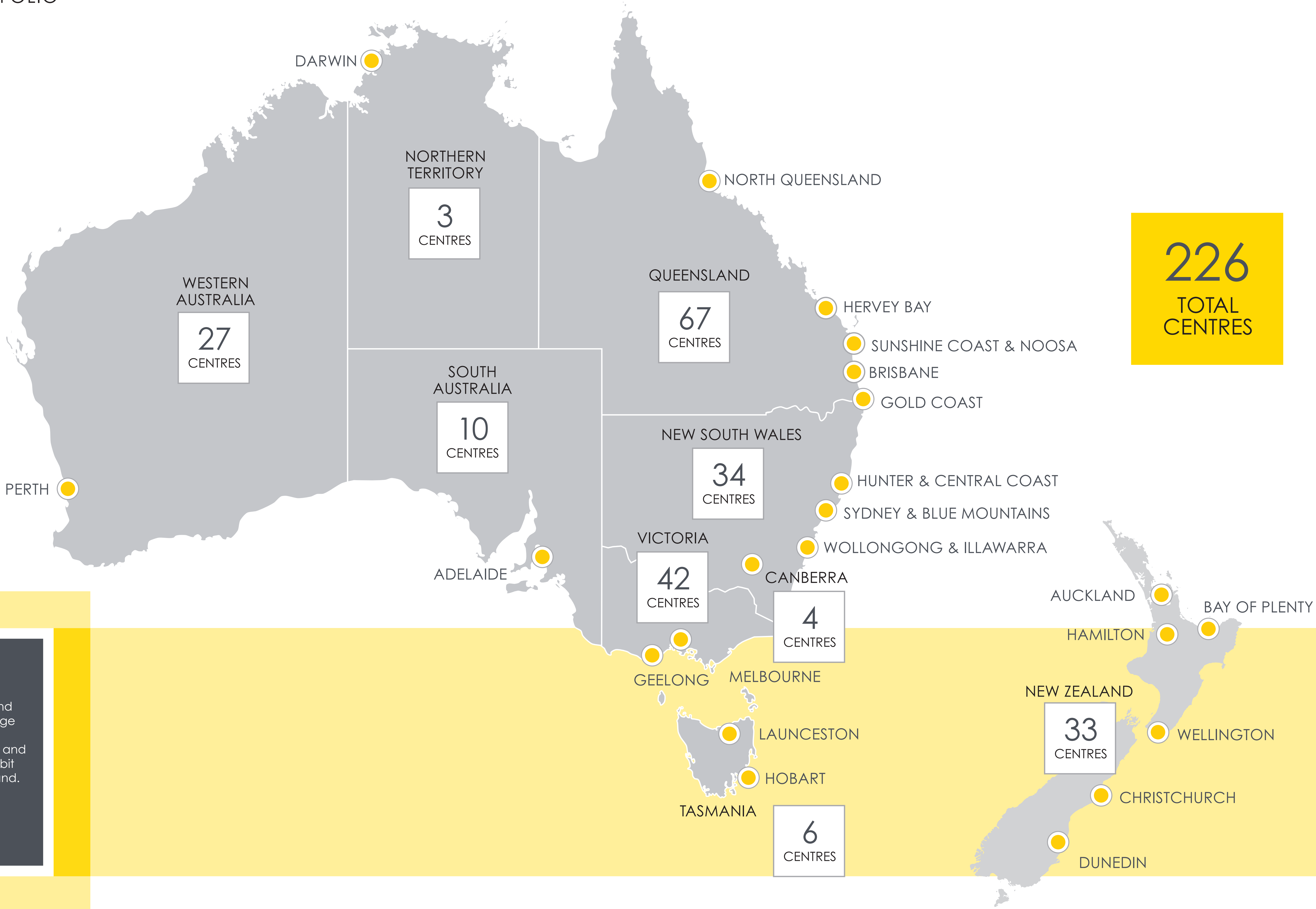
NSR has a highly developed and proven in-house expertise which enables it to identify, negotiate and deliver strategic development and expansion projects

4

TECHNOLOGY AND INNOVATION

NSR leads the Australasian storage industry with new technology and innovation projects providing an important competitive advantage over its peers

NSR PORTFOLIO



226
TOTAL CENTRES

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 2022.

*Map not to scale.

PORTFOLIO **STATISTICS - JUNE 2022**

AUSTRALIAN PORTFOLIO BY NLA		
REGION	**CENTRES**	**NLA**
Brisbane	31	179,000
Gold Coast	15	76,200
Sunshine Coast	11	58,000
North Queensland	10	52,600
Sydney	21	108,300
Central Coast (NSW)	10	44,600
Wollongong	3	12,800
Canberra	4	33,000
Melbourne	38	196,400
Geelong	4	16,100
Adelaide	10	54,400
Perth	27	139,800
Tasmania	6	22,400
Darwin	3	17,000
TOTAL	**193**	**1,010,600**

NEW ZEALAND PORTFOLIO BY NLA		
REGION	**CENTRES**	**NLA**
Auckland	8	60,700
Hamilton	5	19,800
Wellington	8	35,300
Christchurch	6	22,200
Dunedin	2	17,800
Regional	4	15,900
TOTAL	**33**	**171,700**

PORTFOLIO COMPOSITION	
Freehold	207
Leasehold	15
Managed	2
Licensed	2
TOTAL	**226**

PORTFOLIO VALUATION	
TOTAL VALUATION ($BILLION): $3.73b	**WEIGHTED AVERAGE PRIMARY CAP RATE:** 5.86%

VALUATION					
STATE	**CENTRES**	**NLA**	**%**	**$M**	**%**
QLD	67	365,700	30	1,109	30
NSW	34	165,700	14	561	15
ACT	4	33,000	3	154	4
VIC	42	212,600	18	827	22
SA	10	54,400	5	155	4
WA	27	139,800	12	367	10
TAS	6	22,400	2	76	2
NT	3	17,000	1	42	1
NZ	33	171,700	15	441	12
TOTAL	**226**	**1,182,300**	**100%**	**3,732**	**100%**

Exchange Rate: 1.10645

CHAIRMAN & MANAGING DIRECTORS' **REPORT**

The year ended 30 June 2022 (FY22) has delivered another extremely strong set of results for National Storage's securityholders and other stakeholders, building on its robust growth trajectory over the last two years.

This has been the result of a combination of factors including consistent application of effort by our exceptional team, as well as NSR maintaining its highly disciplined and focused approach to the execution of its core Four Pillars Growth Strategy.

Our headline results achieved across FY22 are outstanding and speak for themselves:

- 24.7% increase in underlying earnings to 10.6cps
- 20.9% increase in Group REVPAM to $268/m^2
- 18.8% increase in Group rate per square metre to 302m^2
- 2.8% increase in Group occupancy to 88.9%
- increase in overall Investment Properties to $3.7 billion, with a $532 million valuation uplift driven by improved operational performance and a largely unchanged weighted average portfolio capitalisation rate of 5.86%
- NTA up by 24% to $2.34 reflecting our ability to continue to add value to the portfolio through enhancing operational performance and creating efficiencies at a centre level

Total Revenue for the Group increased to $278.9 million in FY22, up 28% for the year. Pleasingly our Operating Margin also continues to increase - up 2% to 64%, illustrating our ability to drive synergies and economies of scale from the self-storage platform, now approaching 230 centres across Australia and New Zealand. The strength of our relative position is illustrated by the robust outlook for FY23, building off the positive momentum gained over the last two years. This is despite increases in debt funding costs which have been mitigated by the conservative nature of NSR balance sheet gearing of 23% as at 30 June 2022. These results also demonstrate the highly resilient nature of storage as an operating business model and an asset class, which has seen the storage sector as one of the best performing real estate asset classes globally despite disruption caused by COVID-19 and recent global political and economic instability.

The success of NSR's business model lies in its relative simplicity and its focused Four Pillars Growth Strategy.

The cornerstone of this strategy is Organic Growth - our First Pillar. Organic growth is achieved through a disciplined approach to growing same centre revenue through increases in both centre occupancy and rate per square metre. Our revenue management system has assisted greatly in this process as has our specialist in-house dedicated revenue management team. Our Group occupancy now sits at a record high of almost 89%, demonstrating the success of our strategy of creating, then filling, built capacity at both existing centres (by way of expansion) and new centres (by way of greenfield development). The validation of this strategy is reflected by our record FY22 revenue numbers as well as our improving operating margin, demonstrating that NSR is a highly synergistic business focused on driving efficiencies and economies of scale from our management platform and operating systems.

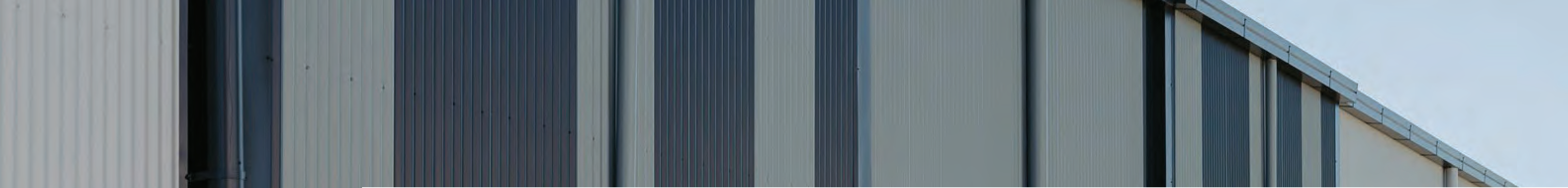
A further key to our organic growth is our people and their performance. We have invested in our team at every level - providing training, support and a trajectory for personal and professional development. This means that our staff have the opportunity to grow with the business, and to align their personal goals with NSR's corporate endeavours. This provides NSR with an important strategic advantage when it comes to retaining, incentivising and growing the skills of its team - while creating a high performance environment where excellence is appropriately rewarded.

Our Second Pillar of growth is Acquisitions and we have executed this consistently despite numerous COVID-19 related challenges. We have acquired 14 new storage centres, the freehold of one previously leasehold storage centre and eight development sites during the year, totalling $200 million. We focus our acquisition strategy predominantly on "off-market" opportunities sourced from an in-depth knowledge of the Australian and New Zealand storage markets, gained over 25 years in the industry. NSR targets value accretive transactions which complement our existing footprint, and where we see opportunities to grow rate, occupancy and/or add further capacity to acquired sites by way of expansion – all aimed at improving the revenue achieved from these acquisitions. This strategy has proven to be highly successful and remains core to our positive continued growth. Our relatively low gearing (23% as at 30 June 2022) means we are well positioned to continue to execute a disciplined consolidation strategy in a market which remains highly fragmented.

Our Third Pillar of growth is our Development and Expansion Strategy which focuses on new development sites in infill locations as well as in new markets, in which storage has yet to be established. Our current development pipeline has over 155,000m^2 of new development projects and 85,000m^2 of expansion and redevelopment projects in construction and design phases. Despite COVID-19 related challenges, supply chain shortages, and the threat of increasing construction costs, NSR completed five projects delivering 38,300m^2 of new NLA across FY22, all within the time - cost - quality triangle predetermined by the board and senior management.

Our Fourth (and final) Pillar of our growth strategy is Technology and Innovation. This touches

> THE SUCCESS OF NSR'S BUSINESS MODEL LIES IN ITS RELATIVE SIMPLICITY AND ITS FOCUSED FOUR PILLARS GROWTH STRATEGY



everything we do, and much of our business success over recent years has been built upon proactively embracing new technology that can both add value and provide efficiencies to our operating structure. Current initiatives include upgrading our contact centre technology and continuing to simplify and improve our online booking and move in process. Our focus in FY23 includes the implementation of an upgraded cyber security program, further improving our customer and employee experience at an individual centre level, improved analytics and other process enhancement and innovation initiatives.

Customer centricity is a key focus for NSR and our team members take a proprietary interest in their centres and continue to display high levels of teamwork, care and excellence when dealing with our customers on a daily basis. While our customer footprint has grown to over 90,000 customers, the level of overall satisfaction with service standards remains very strong.

Our ESG framework continues to evolve with a variety of initiatives in place across the environmental, social and governance areas. A key achievement in FY22 includes the completion of our first carbon audit across the NSR group. This audit demonstrates the low carbon emissions footprint of our centres with Scope 1 and 2 emissions sitting at an average of 54 tonnes CO_2e per year, which is similar to the yearly carbon emissions generated by an average 3-4 person Australian home. We are working hard to minimise our emissions and are developing a strategy to guide NSR towards carbon neutrality. Initiatives include further rollout of our solar PV installations atop our centres with over 124 installations supplementing the daily power needs at these centres and our LED installation program is ongoing further reducing individual power needs on a centre by centre basis.

From a human capital and social perspective, we are excited to have implemented a more targeted people and culture strategy focusing on the provision of tools and frameworks that create and support highly capable leaders and a high-performing, thriving workforce. In addition, through our new 'NS Cares' program, we are committed to supporting charitable organisations that aim to create healthier communities. We are proud to currently partner with charities across medical research, mental health, diversity and safety. More detail on this initiative will be included in our Sustainability Report.

With regard to capital management, NSR has now successfully transitioned its debt from a secured to an unsecured platform, retaining all key lenders during the process. This has enabled NSR to significantly broaden its lender base, with the introduction of multiple new participants to the lender group. This will provide significant additional borrowing capacity as and when required. NSR's current gearing of 23% at 30 June 2022 is slightly below the bottom end of our stated gearing range demonstrating the conservative position taken through uncertain times. This position provides NSR with significant capacity to continue to execute the strategy outlined above in coming years, as well as providing strong contingency to deal with any unforeseen challenges.

As you will undoubtedly agree, the success of any business is driven by the employees and NSR is no different. The strong operational performance and financial success NSR has achieved during FY22 are the result of the dedicated, highly skilled, committed and engaged employees we have at all levels across the organisation. We cannot thank them enough for their efforts, at times during challenging conditions, and NSR is grateful to all employees for their efforts.

Overall, we are well positioned for growth and look forward to continuing to expand the NSR business for the benefit of all stakeholders. Prior to concluding this report, we would like to formally acknowledge the massive contributions of Laurence Brindle, our founding Chairman, and Steven Leigh, one of our non-executive directors, to the growth of our business over the last eight years. Laurence retired from the board effective 5 April 2022 and Steven has announced he will step down at our forthcoming AGM in October this year. We have benefited greatly from their wisdom and guidance; we sincerely thank them for their efforts and wish them well for their future endeavours. We also welcome to the board Inma Beaumont and Scott Smith, our two newly appointed non-executive directors. They bring to the NSR board a wealth of experience in their respective fields of expertise and we are appreciative for their decision to join NSR on its continuing journey. These two appointments will add diversity and experience to our board in a range of areas, from which we will no doubt greatly benefit.

Finally, our sincere thanks goes to all of our stakeholders, you have supported and trusted us through challenging economic times of great upheaval. We trust that our best of class performance has rewarded your faith in NSR and its team and we look forward to continuing to work together to achieve mutually beneficial outcomes for all of our stakeholders in NSR's business for many years to come.

Anthony Keane
NON-EXECUTIVE CHAIRMAN

Andrew Catsoulis
MANAGING DIRECTOR

WE ARE WELL POSITIONED FOR GROWTH AND LOOK FORWARD TO CONTINUING TO EXPAND THE NSR BUSINESS "

INVESTMENT **PARTNERS**

National Storage continues to work with its current investment partners, and engage with a number of 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 quality self-storage centres branded as National Storage. The partnership to date has delivered multiple centres with Fremantle, Martin, Port Kennedy, East Perth and South Fremantle added to the NSR portfolio over recent years. An additional two centres are currently under design and construction. Other sites are currently in due diligence and planning stages. National Storage retains certain rights to purchase the assets under this arrangement.

BRYAN FAMILY GROUP

(BFG, formerly known as Leyshon)

National Storage and BFG, through The Bryan Foundation, cemented their partnership in FY22 by jointly developing a site at Moorooka in Brisbane with a high-quality storage centre and service station which commenced operation in the second half of FY22.

OTHER PARTNERS

National Storage continues to work with numerous other development partners which has resulted in the delivery of a new purpose built storage centre in Deception Bay, South East Queensland during FY22. Several additional centres in Victoria and Queensland are currently in various stages of design, planning and construction which when delivered will add further capacity to the National Storage network.

MOOROOKA, QLD

WINE ARK ARTARMON, NSW

ASSET MANAGEMENT

National Storage continued to deliver excellent revenue growth in FY22, as supported by the ongoing success of our revenue management software. 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 2022 REVPAM across the Group was $268/m^2, a 20.9% increase for the year. Group occupancy across the portfolio on this same basis also increased 2.8% to 88.9%.

The Operations team across Australia and New Zealand continued to deliver strong results in FY22, despite the challenges posed by COVID-19 throughout the period. A focus on sales training and team development saw an increase in conversion results when compared to the previous year, and packaging sales exceeded $5m for the first time in National Storage history.

Total Other Revenue increased 16% due to streamlined, aligned operational reporting and leadership initiatives. Further, changes to the internal sales platform effected improvements in customer service via automation and optimisation processes, all the while ensuring we met the demands of an evolving trading environment.

ACQUISITIONS

National Storage has successfully transacted 14 centres and eight development sites in FY22. National Storage 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 is 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.

DEVELOPMENT AND EXPANSION

National Storage continues to expand capacity with strategic development of new and existing assets. Development continues to provide additional capacity and a ready construction pipeline in key markets. The key objective remains to deliver long term enhanced revenue and NTA outcomes for security holders. This year five projects have been completed adding 38,300m^2 of NLA. Looking forward NSR has 34 active projects in various stages of development including 10 projects currently under construction that will deliver approximately 70,000m^2 of additional NLA in the next 12 months.

WINE ARK

Wine Ark is Australia's leading wine storage provider and sits part of the National Storage Group. Housing over two million bottles of fine wine, Wine Ark operations take place across 15 centres for clients located in over 30 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 FY22, 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, Sommeliers Association of Australia, Wine Australia, and Commanderie de Bordeaux (Australian Chapter).

MARKETING AND CUSTOMER EXPERIENCE

National Storage's marketing strategy focuses on building a brand and product awareness through the use of digital marketing, sponsorships, and community. Our digital presence has continued to be scaled to drive an increase in customers to our website, subsequently to attract an increase in online enquiries and bookings. Our vision of an ideal customer experience has bolstered all digital activities, allowing us to provide a full digital booking experience, including for customers who initiate their booking through our Contact Centre.

Our sponsorship activity in FY22 placed focus on acquiring customers using our digital channels and direct interaction with sponsor member and fan databases, through a range of data capture and purchase offer campaigns. Through implementation of these campaigns, we can better measure the performance of our individual sponsors, extending beyond the traditional brand awareness and recall functions of a sponsorship. These sponsorship-associated audiences are tracked by our internal CRM (Customer Relationship Management) platform, allowing for concrete connections to be drawn between sponsorship involvement and purchase activity.

In efforts to further promote brand trust beyond digital channels and sponsorships, key messaging in National Storage FY22 marketing communications have focused on the community aspect of the business. Supporting community groups through the Community Units Program, National Storage seeks to give back to the communities in which it operates, while continuing to promote purchase activity through our centres across Australia and New Zealand.

Enabling a user-friendly customer experience has continued to be a key factor in the success of the business for FY22 and remained at the forefront of all marketing and communications activities. In addition to the digital functionalities optimised during FY22 to enhance customer experience, a world leading Contact Centre system has been implemented, to facilitate a seamless purchase process using AI. This AI technology allows us to adapt and respond to our customers quickly and efficiently.

OUR FOCUS ON CUSTOMER EXPERIENCE AND ENGAGEMENT HAS BOLSTERED ALL DIGITAL ACTIVITIES, ALLOWING US TO PROVIDE A FULL DIGITAL BOOKING EXPERIENCE

BOARD OF **DIRECTORS**

Anthony Keane

Independent Non-Executive Chairman

BSc (Maths), GradDipCorpFin, 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 a member of the Audit, Risk, Nomination, and Remuneration Committees.

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. He is now a professional company director and consultant to the property funds industry. 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.

Howard was until recently a Non-Executive Director of the formerly ASX listed APN Property Group Limited (APD) and is currently a Non-Executive Director of Dexus Asset Management Limited, responsible entity for ASX listed Dexus Industria REIT (DXI) and Dexus Convenience Retail REIT (DXC).

Howard is the Chairman of the Audit and Risk Committees.

Steven Leigh

Independent Non-Executive Director

Grad Dip Proj Mgmt (Hons)

Steven Leigh has more than 30 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and created through development a portfolio of high-quality retail and commercial assets in Australia, USA and the UK.

Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments. After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director QIC Global Real Estate in 2012 where he was responsible for the group's $20b plus property portfolio. Steven was until recently a Non-Executive Director of ASX listed company, Scentre Group Limited. Steven is a founding member of Male Champions of Change established by the Property Council of Australia and he has qualifications in real estate valuation and project management. Steven is the Chairman of the Remuneration Committee and the Nomination Committee.

Inma Beaumont

Independent Non-Executive Director

BA Hons (Econ/Com), FCCA, GAICD

Inma has spent over 18 years as a senior finance executive with a broad range of leadership roles spanning Financial Control, Internal Audit and Risk Management within top multinationals and banking institutions including Procter and Gamble and Citibank. Inma has over six years' experience as Chair of Finance, Audit and Risk Committees and serving on three boards. In the last eight years, she has also worked in fields related to marketing, public relations, stakeholder engagement and fundraising at different education institutions. Inma is culturally and linguistically diverse and brings significant experience in many areas that will benefit NSR.

Inma is currently a non-executive director of UN Women Australia, Speech Pathology Australia and Guide Dogs Queensland. 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.

BOARD OF **DIRECTORS** cont.

Independent Non- Executive Director

BBus

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 marketing businesses. 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 on in the senior leadership team, taking over the role of CEO of OTW in February 2020 until October 2021. OTW has subsequently been sold to Aussie Broadband (ASX: ABB).

Scott is currently a consultant to the technology industry and sits on the Advisory Board of Heal Inc, a San Francisco based software company that is focused on AiOps and Machine Learning capabilities.

EXECUTIVES

Managing Director

BA LLB Grad Dip Project Mgmt (Hons)

A 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 acquisition and integration of the original pre-existing Group portfolio and 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.

Executive Director and Company Secretary

LLB (Hons) BBus – Intl Bus GAICD FGIA

Claire was appointed an Executive Director in July 2017 and has been the principal 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 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.

Chief Financial Officer

BBus, CPA, GAICD

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.

SUSTAINABILITY

This year will see the release of National Storage's sixth stand-alone sustainability report. The report is expected to be released in October 2022, 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 three sustainability pillars being economic performance, people, and transformation. Further, the environmental, social and governance aspects of the organisation will be considered when our short, medium and long term sustainability targets are 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	FY22	FY21	Change	
Total Revenue	$278.9m	$217.7m	28%	▲
IFRS profit after tax	$620.6m	$309.7m	100%	▲
Earnings per stapled security	52.13cps	30.12cps	73%	▲
Underlying earnings[1]	$126.5m	$86.5m	46%	▲
Underlying earnings per stapled security[1]	10.6cps	8.5cps	24.7%	▲
Net operating cashflow	$165.8m	$135.2m	23%	▲
Distribution per security	10.0cps	8.2cps	22%	▲

Portfolio	At June 2022	At June 2021	Change	
Number of Centres owned/managed & licenced (Total)	222/4 (226)	206/5 (211)	16/(-1) (15)	▲
Group occupancy[2]	88.9%	86.1%	2.8%	▲
Group REVPAM[2] (Revenue per available metre)	$268	$221	20.9%	▲
Weighted Average Primary Cap Rate	5.86%	5.98%	(0.12%)	▼
Investment Properties[5]	$3.73b	$2.95b	26%	▲
Portfolio Valuation Uplift	$532m	$311m	$221m	▲
Acquisitions / Centres[6,7]	$171m/15	$320m/22	($149m)/(7)	▼
Net Lettable Area (NLA) (sqm)	1,180,000	1,100,000	7%	▲

Balance Sheet	At June 2022	At June 2021	Change	
Total Assets[7]	$4.05b	$3.25b	25%	▲
Debt drawn[7]	$975m	$761m	$214m	▲
Interest Rate Hedges[7]	$360m	$432m	($72m)	▼
Gearing	23%	22%	1%	▲
Weighted average cost of debt	3.3%	1.9%	1.4%	▲
Weighted average cost of debt (Inc swaps)	2.7%	2.1%	0.6%	▲
Weighted average debt tenor (years)	3.3	2.8	0.5	▲
Net Tangible Assets (NTA)	$2.34	$1.89	24%	▲

PRINCIPAL ACTIVITIES

Listed on the ASX in December 2013, NSR is the largest self-storage owner/operator across Australia and New Zealand, providing tailored storage solutions to over 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 229 centres at the date of this Directors' Report.

NLA growth in built capacity is also achieved through development, expansion and redevelopment with 5 newly constructed and expanded storage centres delivered during the Reporting Period adding 38,300m² of NLA and a further 34 projects in various stages of design, construction and delivery. NSR now manages approximately 120,000 storage units across 1.2 million square metres of net lettable area in Australia and New Zealand.

The value of Investment Properties[5] on NSR's balance sheet has increased by 26% during the Reporting Period to $3.73 billion as at 30 June 2022.

Of the 229 self-storage properties in the NSR portfolio at the date of this report, ownership is as follows:

- 210 self-storage centres owned by NSPT group (Freehold Centres)
- 15 self-storage centres operated as long-term leasehold centres (Leasehold Centres)
- 2 third party managed centres
- 2 licenced branding rights centres in New Zealand

[1] Underlying earnings is a non-IFRS measure (unaudited), see table within Operating Results for reconciliation
[2] Group – Australia and New Zealand (170 centres), as per 3 & 4 below
[3] Australia – 146 centres as at 30 June 2020 (excluding Wine Ark and let-up centres)
[4] New Zealand – 24 centres as at 30 June 2021 (excluding let-up centres)
[5] Investment properties net of lease liability
[6] Excluding transaction costs
[7] NZD/AUD exchange rate of 1.1065

NSR's business model encompasses a "Four Pillar" growth strategy, focussing on:

- Organic Growth
- Acquisitions
- Development and Expansion
- Technology and Innovation

BUSINESS STRATEGY

NSR's objective is to deliver investors stable 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 the business are:

- Organic Growth - NSR achieves organic growth through a combination of occupancy and rate increases assessed on an individual centre basis
- Acquisitions - NSR has executed over 160 high-quality acquisitions since its IPO in December 2013 – a growth rate unmatched in the Australasian market
- Development and Expansion - 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

Further details on these key business drivers can be found elsewhere in the NSR 2022 Annual 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 increased to $620.6 million delivering IFRS EPS of 52.13 cents per stapled security. The exceptional operating performance of the portfolio for the Reporting Period saw underlying earnings increase by 46% to $126.5 million.

NSR achieved underlying earnings per stapled security of 10.6cps for the 2022 financial year, an increase of 24.7% over the previous 12 months. This result was driven by a 28% increase in total revenue to $278.9 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 achieved strong and consistent growth throughout the whole of FY22, increasing to 88.9%, up 2.8% from 30 June 2021. Strong growth in Group rate of 18.8% to $302m^2 combined with the occupancy growth delivered Group REVPAM growth of 20.9% to 268m^2. REVPAM growth was experienced across both Australia (+21.2%) and New Zealand (+19.2%). Let-Up centres (those recently built or expanded) filled strongly with in excess of 27,000m^2 of new NLA filled during the Reporting Period and an additional 38,300m^2 of built NLA added to the portfolio.

The impact on operations due to economic uncertainties following COVID-19 remain to be relatively minor. 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	FY22	FY21
IFRS Profit after tax	$620.6	$309.7
Plus tax expense/(benefit)	$10.2	$0.8
Plus restructure and other non-recurring costs	$4.4	$0.9
Plus amortisation of interest rate swap reset	$7.8	$10.9
Less fair value adjustment and FX movement	($509.5)	($231.7)
Less lease diminution on leasehold investment properties	($7.0)	($4.1)
Underlying Earnings	**$126.5**	**$86.5**
Weighted average securities on issue (refer Note 19)	1,189,922,871	1,020,912,858
Underlying earnings per stapled security	**10.6cps**	**8.5cps**

CASH MANAGEMENT

Cash and cash equivalents as at 30 June 2022 were $83.7 million compared to $95.9 million at 30 June 2021. Subsequent to 30 June 2022, the cash balance has been utilised to facilitate further acquisitions and for payment of the distribution on 2 September 2022. Net operating cashflow for the year increased 23% to $165.8 million (2021: $135.2 million).

An interim distribution of 4.6 cents per stapled security ($54.7 million) was paid on 1 March 2022 with an estimated final distribution of 5.4 cents per stapled security ($64.6 million) declared on 22 June 2022, to be paid on 2 September 2022. This totals a full year distribution of 10.0 cents per stapled security, against underlying earnings per security of 10.6 cents, representing a payout ratio of 94%, 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 2021 interim distribution approximately 29.5% of eligible securityholders (by number of securities) elected to receive their distributions as securities totalling approximately $16.1 million. The DRP price was set at $2.4107 which resulted in 6,697,770 new securities being issued.

The June 2022 final distribution has seen approximately 14% of eligible securityholders (by number of securities) elect to receive their distributions as securities totalling approximately $9.2 million. The DRP price was set at $2.4219 which will result in approximately 3,800,000 new securities being issued.

NSR actively manages its debt facilities to ensure it has adequate capacity for future acquisitions, developments and working capital requirements.

During the year ended 30 June 2022, NSR completed a major refinance and restructuring of its debt facilities. This resulted in the transition from a secured "club" arrangement to an unsecured lending platform under a revised Common Terms Deed. On conclusion of this process the NSR repaid existing facilities and entered into a combination of revolver facilities and term loans with major Australian and international banks. This has assisted to extend the tenor of NSR's borrowings and also expanded NSR's lender pool. NSR has an institutional term loan with a major Australian superannuation fund, along with a facility with JP Morgan.

As at the Reporting Date the Consolidated Group's borrowing facilities are AUD $1,080 million and NZD $225 million. As at the Reporting Date AUD equivalent of approximately $308 million was undrawn and available. NSR's weighted average debt tenor as at the Reporting Date has increased to 3.3 years (30 June 2021: 2.8 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 2022 was 23% 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 maintains interest rate hedges 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 $360 million were in place with expiry dates ranging from 0.25 years to 4.25 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 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 14 new storage centres, the freehold of one previously leasehold storage centre and eight development sites acquired during the Reporting Period, totalling $200 million. Since the Reporting Date to the date of this Directors' Report a further three self-storage centres and three development sites with a combined value of $33 million have settled.

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 tightened modestly by 12 basis points to 5.86% and the value of the 30 June 2021 portfolio increased by $532 million, with the majority of this uplift driven by improved operating performance. This contributed to the 24% increase in NTA which now sits at $2.34 per stapled security, up from $1.89 per stapled security in June 2021, however the primary contribution to NTA uplift was the result of the improved operational performance of the individual assets.

Acquisitions for the Year Ended 30 June 2022

Region	Number of Centres	NLA (m^2)
Brisbane	5	26,300
Sydney	1	6,300
Adelaide	1	2,900
Perth	1	4,700
North Queensland	2	8,900
Darwin	1	1,500
Auckland (NZ)	1	3,500
Rotorua (NZ)	2	8,000
Total	**14**	**62,100**

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 during the Reporting Period and commenced trading in January 2022.

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, 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;
- 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; and
- technology and innovation – harnessing new technology and innovation to bring further efficiencies and economies of scale to NSR's existing business model.

DIVIDENDS AND DISTRIBUTIONS

NSR has paid or declared distributions totalling 10.0 cents per stapled security for the Reporting Period, representing 94% of underlying earnings per stapled security of 10.6 cents:

- An estimated final distribution of 5.4 cents per stapled security for the 6 months to 30 June 2022. The distribution is expected to be paid on 2 September 2022 and is expected to contain a tax deferred component.
- An interim distribution of 4.6 cents per stapled security for the period 1 July 2021 to 31 December 2021 which was paid on 1 March 2021 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.

ENVIRONMENTAL, ECONOMIC AND OTHER SUSTAINABILITY RISKS

NSR recognises that its operating activities and strategic goal of delivering securityholder growth and returns expose it to potential risks. NSR management takes a pro-active approach to risk management/elimination and recognises the importance of a strong risk culture which is instilled and lead by the Board and the senior executive team to form a core tenet of the organisation.

Risk is managed centrally to minimise potential adverse effects on the financial performance of NSR and protect long-term securityholder value, and its broader corporate reputation. A copy of NSR's Risk Management Policy can be found at https://www.nationalstorageinvest.com.au/governance.

The Head of Legal & Governance is responsible for management of NSR's risk function and in turn reports to the Managing Director and the Risk Committee. The Risk Committee is charged with risk oversight and reports to the full Board. The full Board is then actively involved in the ultimate review of and determination of risk to within sensible tolerances.

The table below outlines some of the potential risks faced by NSR. This list is not exhaustive but highlights some of the factors that may adversely affect the performance of NSR.

RISK
Strategic Risk - Poor development and/or execution of business strategy by the executive management team can lead to the risk of loss and/or poor performance. To mitigate this risk, strategies are developed by the relevant responsible executive or senior officer. These are then reviewed and discussed, as appropriate, by other executive officers and approved by the Managing Director. Strategic decisions of a significant nature are further considered by the Board and discussed in detail and require Board approval. The senior executive team meets several times each year to discuss strategy and ensure that it remains current and appropriate. This allows management to ensure it is employing strategies that are updated for changes in the operating environment of the business.
Climate change – Extreme weather events or progressive damage from climate related causes may cause loss to NSR through either physical impact on storage centres or disrupting operations and attendant income. NSR has enacted a specific regular review process for its centres to ensure such impacts or their likelihood is mitigated to the maximum extent possible. Further, learnings from prior climate related events are workshopped and included in any updates deemed necessary to our disaster recovery and business continuity plans and procedures. In addition, NSR is currently determining a strategy towards carbon-neutrality and is still working through what the impact of such strategy will be.
Cyber-attack and data loss – During the course of its operations, NSR is required to handle data from various sources including sensitive customer data. As a result, there is the possibility that data could be either damaged or lost. This creates the risk of potential legal exposure from both commercial third parties and regulators depending on the nature and the extent of any possible loss or damage to the data. There is also the risk that NSR could suffer a cyber-attack from a third party that could disrupt its operations and functionality or result in the leaking of sensitive data. NSR employs state of the art cyber security systems, processes and consultants to mitigate this risk. To mitigate this risk further, NSR has a Cyber Security Steering Committee that monitors, reviews, and implements any updates deemed necessary.
Economic and market conditions – NSR may be adversely impacted by many factors including fluctuations in general economic conditions including interest rates, inflation, taxation, consumer confidence levels which may adversely affect the demand for storage space and general market levels. A number of factors affect the performance of the stock markets, which could affect the price at which NSR's securities trade on the ASX. Among other things, geo-political instability, including international hostilities, acts of terrorism, travel restrictions, epidemics and pandemics such as COVID-19, movements of international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes or changes in law may affect the demand for, and price of, Stapled Securities. The share prices for many listed companies in Australian stock markets and in international stock markets have in recent times been subject to wide fluctuations and volatility, which in many cases may reflect a diverse range of non-company specific

RISK
influences referred to above. In particular, the events relating to COVID-19 and subsequent economic impacts such as interest rates, inflation and unemployment resulted in significant market falls and volatility both in Australia and overseas, including in the prices of securities trading on the ASX. There remains uncertainty as to the further impact of other COVID-19 strains on the Australian and global economies and equity and debt capital markets. Any of these events and resulting fluctuations may materially adversely impact the market price of Stapled Securities. It is also possible that new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks (including the impacts of COVID-19) may evolve in ways that are not currently foreseeable. There are also industry and location specific risks to consider, including competitor behaviour. NSR mitigates the potential impacts of fluctuating economic conditions by seeking to maintain a strong and conservative balance sheet and financial position.
General commercial property risks – Risks commonly associated with commercial property investment apply equally to NSR, including levels of occupancy, capital expenditure requirements, development and refurbishment risk, environmental and compliance issues, changes to government and planning regulations, including zoning and damage caused by flood or other extreme weather (to the extent that it is not or could not be insured against). NSR utilises a comprehensive due diligence process when acquiring centres to mitigate or eliminate risk where possible.
Tenure – Storage agreements are typically month to month and there is no guarantee customers will renew or that other customers will be found to take their place upon departure. To mitigate this risk, customer relationships are carefully managed to maximise duration of stay and highly developed marketing and management systems are in place to generate new customer enquiries and then maximise conversion of these new customer enquiries and to maintain and build occupancy at an individual centre level.
Competition – Entry by new competing storage centres or discounting by existing storage centres may adversely impact upon occupancy and rental rates on a centre specific basis. While there are barriers to entry for new competition, NSR constantly monitors its competitors' activities to ensure pricing and terms remain competitive.
Valuations – Valuations ascribed to NSR's assets will be influenced by a number of ongoing factors including supply and demand for self-storage centres and general property market conditions. Valuations represent the analysis and opinion of qualified experts at a certain point in time. These factors may be affected by any possible remaining impact of COVID-19. A reduction in the value of NSR's property assets may adversely affect the value of the Stapled Securities. It may also impact on NSR's financing arrangements (refer to Funding below). Property values may fall if the underlying assumptions on which the property valuations are based, change in the future. As property values fluctuate, so too may returns from property assets. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall because of the assumptions on which the relevant valuations are based proving to be incorrect.
Property liquidity – Self storage centres are property based illiquid assets and subject to supply and demand factors dependent upon prevailing market conditions. As a result, it may not be possible for NSR to dispose of assets in a timely or price accretive fashion should the need to do so arise.
Future acquisitions and expansions – NSR may consider opportunities to make further acquisitions of self-storage assets. NSR may also develop and expand the existing lettable area at a number of NSR's centres. The rate at which NSR is able to expand will be impacted by its financial capacity to do so as well as market forces and the availability of capital at the time. Forecast distributions may be affected by such actions. The risks faced by NSR in relation to any future development projects will depend on the terms of the transaction at the time as well as the prevailing micro and macro-economic environment. There can be no assurance that NSR will successfully identify, acquire and integrate further self-storage assets, or successfully implement acquisitions on time and on budget. Furthermore, there is no guarantee that any acquisition will perform as expected. Future acquisitions may also expose NSR to unanticipated business risks and liabilities.
Personnel risk – NSR's future performance is dependent on the ability to recruit, train, retain and motivate senior executives and employees. There is a risk that NSR may be unable to attract or retain key personnel and specialist skills and may lose corporate memory. NSR relies upon the expertise and experience of the senior management team. Therefore, if the services of key personnel were no longer available this may have an adverse impact on the financial performance of NSR. However, NSR's senior management team are considered internally to be stable and committed and succession planning is undertaken periodically by the NSH Board and Managing Director.
Interest rate fluctuations and derivative exposure – Unfavourable movements in interest rates could lead to increased interest expense to the extent that these rates are not hedged. NSR uses derivative instruments to hedge a percentage of its exposure to interest rates however the interest rate movements could still result in an adverse effect on financial performance.
Workplace health and safety – There is a risk that liability arising from occupational health and safety matters at a property in NSR's portfolio may be attributable to NSR as the registered proprietor. To the extent that any liabilities may be incurred by NSR, this may impact upon the financial position and performance of NSR (to the extent not covered by insurance). In addition, penalties may be imposed upon NSR which may have an adverse impact on NSR. NSR has a dedicated focus on

RISK
health and safety including comprehensive reporting to assist in the mitigation or elimination of such risks and keep our team members, customers and contractors safe.
Insurance risk – There is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as earthquakes or cyclones. If any of NSR's assets are damaged or destroyed by an event for which NSR does not have cover, or a loss occurs which is in excess of the insured amounts, NSR could incur a capital loss and lost income which could reduce returns for holders of stapled securities. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect NSR's right of recovery under its insurance.
Funding and gearing – NSR's ability to raise funds from either debt or equity sources in the future depends on several factors, including the state of debt and equity markets at the relevant time, the general economic and political climate and the performance, reputation and the relative financial strength of NSR. Changes to any of these underlying factors could lead to an increase in the cost of funding, limit the availability of funding, and increase the risk that NSR may not be able to refinance its debt and/or interest rate hedges before expiry or may not be able to refinance them on substantially the same terms as the existing facility or hedge instruments. If alternative financing is not available, this could adversely affect NSR's ability to acquire new properties and to fund capital expenditure, and NSR may need to realise assets at less than valuation, which may result in financial loss to NSR. Any ongoing impacts of COVID-19 may have a negative impact on property valuations. In part, NSR's gearing levels depend on the valuation of properties within its portfolio. If the value of properties in NSR's portfolio decreases, then NSR's gearing will increase. Without the sufficient capital, such impacts to property valuations and earnings has the potential to increase NSR's gearing levels above its target gearing range.
Leasehold interests - NSR holds lease agreements with certain third parties which allow it to operate storage centres from these properties. Lease terms for these properties are typically long (greater than 10 years). However, there is no guarantee that these lease arrangements will be able to be renewed upon expiry or if so on suitable terms to NSR (including in relation to rent payable). The leases may also be subject to certain termination rights which, if triggered, may result in the lessor terminating the lease. This may adversely affect NSR's ability to continue to operate the self-storage centres at those locations, and the fair value attributed to them.
Environmental issues - Unforeseen environmental issues may affect the properties in the property portfolio owned by NSR. These liabilities may be imposed irrespective of whether NSR is responsible for the circumstances to which they relate. NSR may also be required to remediate sites found to be affected by environmental liabilities. The cost of remediation of sites could be substantial. If NSR is not able to remediate the site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for future borrowings. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future.

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
Scott Smith	1 July 2022	Non-Executive Director
Inmaculada Beaumont	1 July 2022	Non-Executive Director
Claire Fidler	18 July 2017	Executive Director
Laurence Brindle	1 November 2013	Non-Executive Chairman (Retired 5 April 2022)

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 Director
Andrew Catsoulis	18 July 2014	Managing Director
Howard Brenchley	8 September 2015	Non-Executive Director
Steven Leigh	8 September 2015	Non-Executive Director
Scott Smith	1 July 2022	Non-Executive Director
Inmaculada Beaumont	1 July 2022	Non-Executive Director
Claire Fidler	18 July 2017	Executive Director
Laurence Brindle	18 July 2014	Non-Executive Chairman (Retired 5 April 2022)

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.

He 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 a member of the Audit and Risk Committees and the Nomination and Remuneration Committees.

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. He is now a professional company director and consultant to the property funds industry. 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.

Howard was until recently a Non-Executive Director of the formerly ASX listed APN Property Group Limited (APD) and is currently a Non-Executive Director of Dexus Asset Management Limited, responsible entity for ASX listed Dexus Industria REIT (DXI) and Dexus Convenience Retail REIT (DXC).

Howard is the Chairman of the Audit and Risk Committees.

Steven Leigh, Independent Non-executive Director
Grad Dip Proj Mgmt

Steven Leigh has more than 30 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and created through development a portfolio of high-quality retail and commercial assets in Australia, USA and the UK.

Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments. After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director QIC Global Real Estate in 2012 where he was responsible for the group's $20b plus property portfolio. Steven was a Non-Executive Director of ASX-listed company, Scentre Group Limited, is a founding member of Male Champions of Change established by the Property Council of Australia and he has qualifications in real estate valuation and project management.

Steven is the Chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit and Risk Committees.

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

Inma has spent over 18 years as a senior finance executive with a broad range of leadership roles spanning Financial Control, Internal Audit and Risk Management within top multinationals and banking institutions including Procter and Gamble and Citibank. Inma has over six years' experience as Chair of Finance, Audit and Risk Committees and serving on three boards. In the last eight years, she has also worked in fields related to marketing, public relations, stakeholder engagement and fundraising at different education institutions. Inma is culturally and linguistically diverse and brings significant experience in many areas that benefit NSR.

Inma is currently a non-executive director of UN Women Australia, Speech Pathology Australia and Guide Dogs Queensland. 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 Committees.

Scott Smith, Independent Non-Executive Director
BBus

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 telecommunications 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 marketing businesses. 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 remained on in the senior leadership team, taking over the role of CEO of OTW in February 2020 until October 2021. OTW has subsequently been sold to Aussie Broadband (ASX: ABB).

Scott is currently a consultant to the technology industry and sits on the Advisory Board of Heal Inc, a San Francisco based software company that is focused on AiOps and Machine Learning capabilities.

Scott is a member of the Audit and Risk Committees.

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

Claire was appointed an Executive Director in July 2017 and has been the principal Company Secretary of National Storage since November 2015. She was appointed Head of Legal & Governance in June 2020 and now 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. Claire was also a Non-Executive Director of Spacer Marketplaces Pty Limited until May 2021.

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
Anthony Keane	EMvision Medical Devices Ltd (ASX:EMV)	11/12/2018 – Current
Howard Brenchley	APN Property Group (ASX:APD)	1998 – 13/08/2021
	Dexus Industria REIT (ASX:DXI) previously known as APN Industria REIT (ASX:ADI)	03/12/2013 - Current
	Dexus Convenience Retail REIT (ASX:DXS) previously known as APN Convenience Retail REIT (ASX:AQR)	27/12/2017 - Current
Steven Leigh	Scentre Group Limited (ASX: SCG)	04/04/2019 – 07/04/2022

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	230,421	-	242,016
Andrew Catsoulis	500,000	14,287,952	719,200	15,507,152
Howard Brenchley	-	122,751	-	122,751
Steven Leigh	-	233,068	-	233,068
Scott Smith	-	42,509	-	42,509
Inmaculada Beaumont	-	-	-	-
Claire Fidler	54,912	14,494	130,200	199,606

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*
Laurence Brindle (retired 05/04/2022)	8 (8)	5 (5)	6 (6)	5 (5)	3 (3)
Anthony Keane	10 (10)	6 (6)	7 (7)	7 (7)	6 (6)
Andrew Catsoulis	10 (10)	-	-	-	-
Howard Brenchley	10 (10)	6 (6)	7 (7)	2 (2)	3 (3)
Steven Leigh	10 (10)	1 (1)	1 (1)	7 (7)	6 (6)
Claire Fidler	10 (10)	-	-	-	-

Notes:
1. 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.
2. Mr Catsoulis and Ms Fidler attend Nomination, Remuneration, Risk and Audit Committee meetings by invitation.
3. 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 27

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 corporate governance structure is the ASX Corporate Governance Principles and Recommendations (the "ASX Recommendations"). A statement of the extent of NSR's compliance with the ASX Recommendations can be viewed on the NSR website at https://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 $1,617,602.

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 governance standards, and meet the expectations of investors and other stakeholders. By linking the Short-Term Incentive ("STI") and Long-Term Incentive ("LTI") (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 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.

FY22 PERFORMANCE AND REMUNERATION OUTCOMES

FY22 was another year of record performance for NSR. Despite challenging market conditions NSR produced 24.7% underlying earnings growth to 10.6cps and declared a distribution of 10.0cps, 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 one for the 3 years to 30 June 2022. Further detail on NSR's performance in FY22 has been set out on page 32.

REMUNERATION REVIEW

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

NSR's remuneration framework has been reviewed in FY22 with the following key objectives as the basis for the revised structure:

- Increase the 'at-risk' component of total remuneration across the KMP;
- Provide an increased alignment between KMP and securityholders' interests by refining the equity-based structure introduced in FY21 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

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

Laurence Brindle - Chairman (non-executive) – Retired 5 April 2022
Anthony Keane - Director (non-executive) – Appointed Chairman 5 April 2022
Andrew Catsoulis – Managing Director ("MD") (executive)
Howard Brenchley - Director (non-executive)
Steven Leigh - Director (non-executive)
Claire Fidler – Director and Head of Legal & Governance ("HoLG") (executive)

KEY MANAGEMENT PERSONNEL – SENIOR EXECUTIVES

Stuart Owen – Chief Financial Officer ("CFO")

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 (FY23)

	Fixed reward	At-risk reward			
	TFR	STI		LTI	
Delivery	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 o Scrip price set as the 30-day VWAP to 30 June 2022 o escrowed for 12 months • Measures: o Financial measures (EPS) – 70% o Individual and strategic measures – 30%		• LTI is subject to a 3-year performance period • Measures: o Relative Total Shareholder Return (rTSR)(ASX 200 A-REIT index comparator group) – 70% o 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.

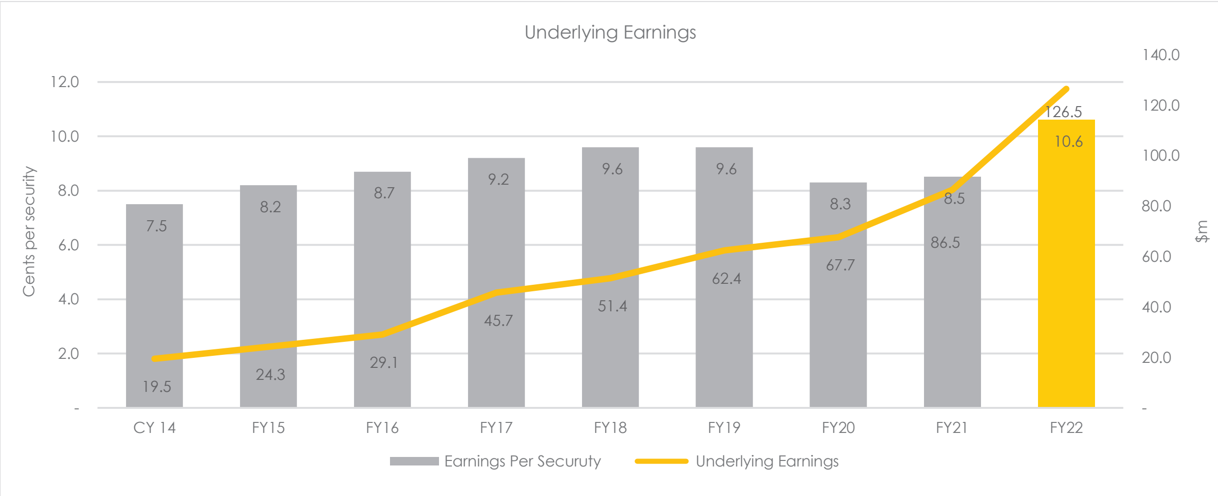
ROLE	TFR	STI	LTI	STI as % of TFR	LTI as % of TFR
MD	34.4%	32.8%	32.8%	95.0%	95.0%
CFO	41.2%	29.4%	29.4%	70.0%	70.0%
HoLG	47.8%	26.1%	26.1%	55.0%	55.0%

This structure reflects and is consistent with NSR's policy objectives for executive TAR for the year commencing 1 July 2022 as outline above.

NSR PERFORMANCE

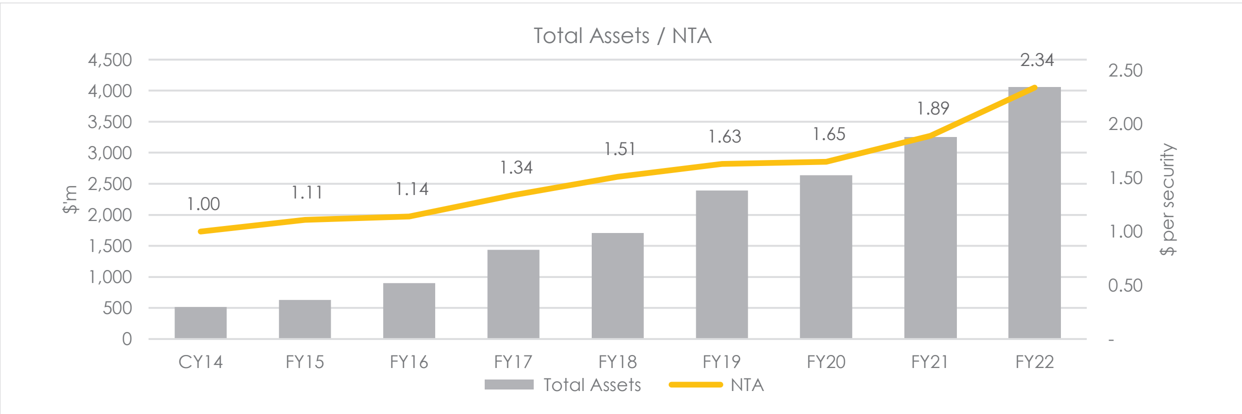
NSR has a well-established track record of consistent growth in underlying earnings, net tangible assets (NTA) and total assets under management (AUM). Underlying earnings per stapled security ("EPS") increased 25% in the 12 months to 30 June 2022 to a record high of 10.6cps, with underlying earnings increasing 46% to $126.5m. The FY22 underlying EPS of 10.6cps significantly exceeded the original EPS guidance of a minimum 10% (or 9.5cps) increase and reflects NSR's exceptional REVPAM growth, a combination of rate and occupancy growth, that has been achieved over the financial year. Group REVPAM increased 20.9% to $268m^2, consolidating the FY21 increase of 24.3%, and establishing an opening FY23 REVPAM that provides an exceptional base from which to deliver FY23 revenue growth. Rate per square metre achieved across the

Group increased by 18.8% to $302m² with ongoing occupancy growth resulting in 30 June 2022 Group occupancy of 88.9%, a 2.9% increase over 30 June 2021. Occupancy across the 18 Let-up centres, being those centres that have been recently developed or expanded, increased by 17.9% to 74.3%, with total occupancy across the portfolio now sitting at 84.6%.



NTA has increased by 24% during the year to $2.34 per stapled security, principally driven by improvements in operational performance at an individual centre level, with the weighted average capitalisation rate compressing moderately from 5.98% at 30 June 2021 to 5.86% at 30 June 2022 only providing minor uplift in valuation and NTA. Capitalisation rates, supported by independent third party valuations remained steady in the second half of the year, 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 $776 million or 26% to $3.73 billion over the 12 months to 30 June 2022, with total assets now exceeding $4b. These results have been achieved through the disciplined management of NSR's operations and the 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, has been instrumental in achieving this exceptional result.



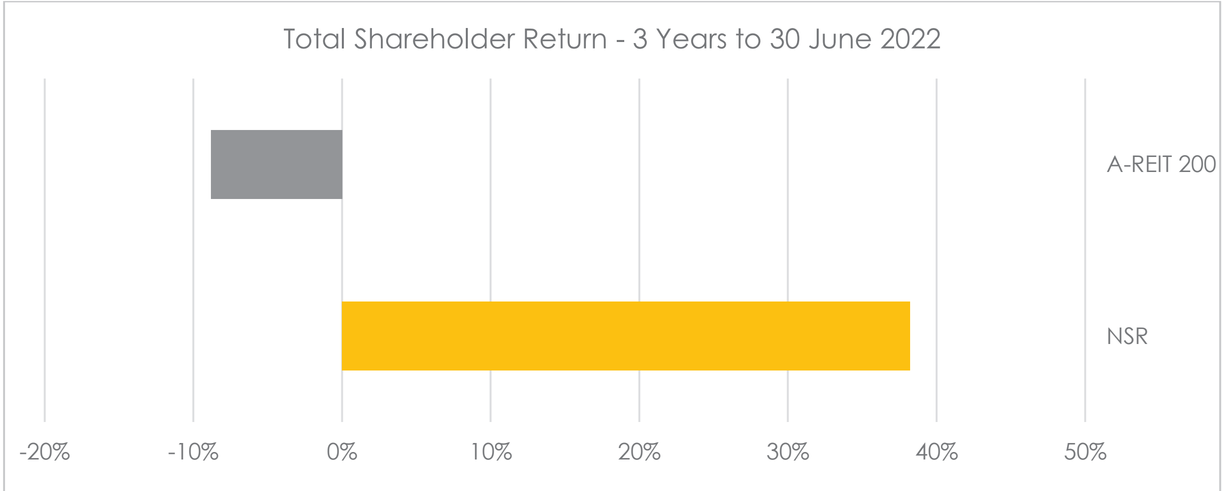
NSR has executed on its successful growth strategy with the acquisition of 14 storage centres, the freehold of one previously leasehold storage centre and eight development sites totalling $200 million. These acquisitions have been funded through debt facilities which were successfully refinanced during the Reporting Period to extend tenor, add diversity to funding sources and increase available facilities. Delivery on development, expansion and redevelopment strategy has seen 34 projects in various stages of design and construction. In addition, NSR has successfully completed 5 new developments and expansion projects during the Reporting Period adding over 38,000m² of NLA.

During the Reporting Period NSR obtained an independent credit rating and transitioned to an unsecured debt platform, providing greater flexibility and access to sources of debt funding. NSR's gearing ratio at 30 June 2022 remained conservative at 23%, providing significant balance sheet capacity to fund NSR's further growth.

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 10.0 cents per stapled security an increase of 16.3%, representing a payout ratio of 94%.

NSR was ranked number one for Total Shareholder Return "TSR" (a combination of share price growth and distributions received by securityholders) over the past three years to 30 June 2022, delivering TSR of 38.2%, more than five times the ASX 200 A-REIT TSR of negative 8.3%. 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 a high demand from a variety of sources has underpinned the successful growth of the storage industry.

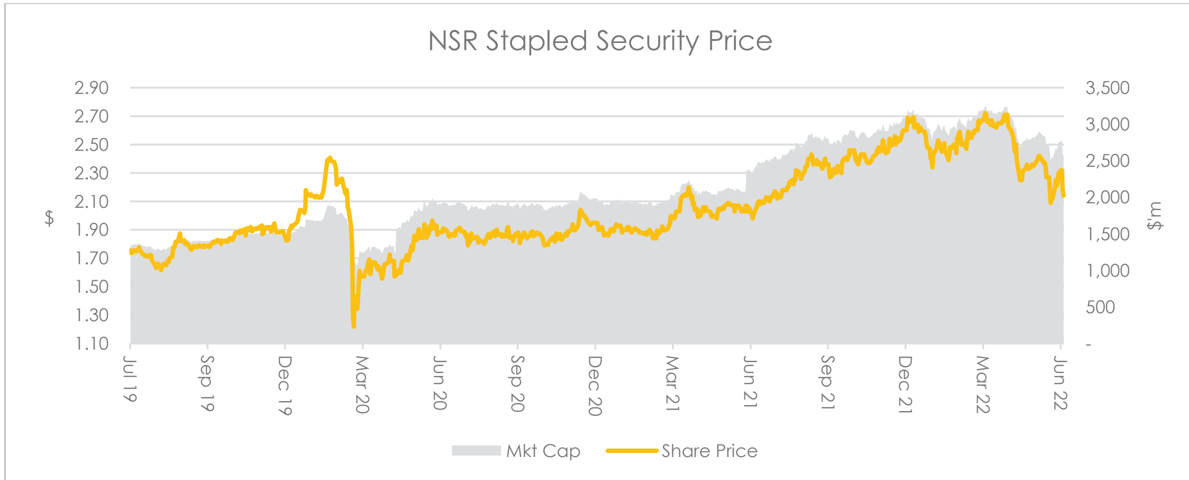


Source: Bloomberg

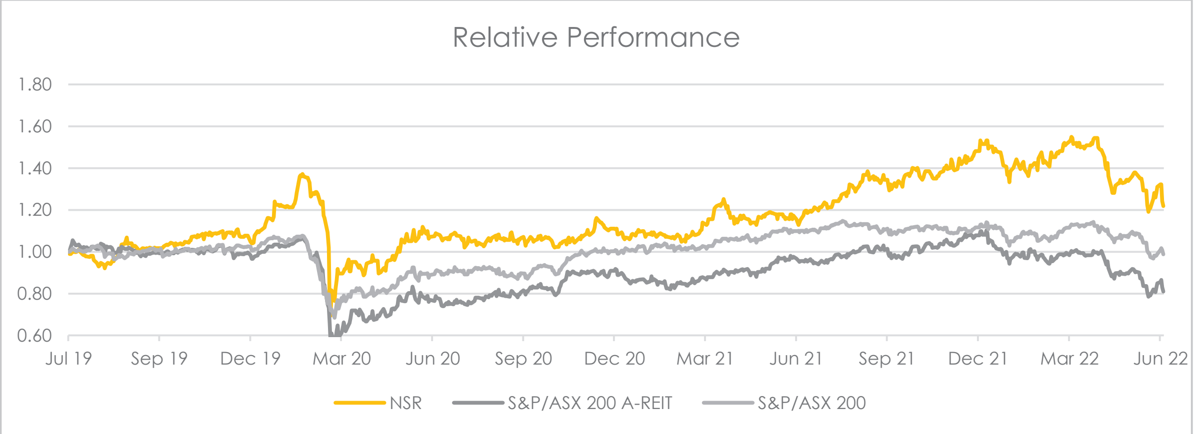
Note 1: Assumes Dividends are re-invested in underlying security

Note 2: Excludes securities not listed for the entire year

NSR share price closed on 30 June 2022 at $2.14, increasing 8.1% from $1.98 at 30 June 2021 with the market capitalisation of NSR now exceeding $2.54 billion as at 30 June 2022.



Security price performance over the period 1 July 2019 to 30 June 2022 has shown a 22% increase. This compares to a decrease of 19% for the ASX 200 A-REIT index and 1% for the broader ASX 200 Index over the same period.



FY22 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 2022 in accordance with the incentive program outlined in the 2021 Annual Report. The assessment criteria for the program and performance against those criteria are outlined below. Incentives achieved for the year ending 30 June 2022 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 being $3,280,000 for FY22 in aggregate for all KMP.

The STI and LTI hurdles included:

1. Underlying earnings equal to or exceeding 9.5 cents per security
2. TSR over the three-year period to 30 June 2022 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 2021 to 30 June 2022.

INCENTIVE OFFICER	STI		LTI		
	AMOUNT	% EARNED	AMOUNT	% EARNED	TOTAL
Andrew Catsoulis (MD)	$1,050,000	100.0%	$1,050,000	100.0%	$2,100,000
Stuart Owen (CFO)	$400,000	100.0%	$400,000	100.0%	$800,000
Claire Fidler (HoLG)	$190,000	100.0%	$190,000	100.0%	$380,000
Total	**$1,640,000**	**100.0%**	**$1,640,000**	**100.0%**	**$3,280,000**

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 FY22 Outcomes

The assessment of the FY22 STI outcomes was considered against predetermined set of assessment criteria. The criteria utilised for assessing the CEO's FY22 STI were:

Element	Weighting	Metrics	Rationale	Achievement in FY22
Financial	70%	Underlying Earnings of 9.5cps (10% out performance if Underlying EPS >9.5cps - $10.0cps)	Underlying EPS ensures alignment to the Consolidated Group's financial performance and securityholders' experience.	**Achievement:** 100% A record high Underlying EPS of 10.6cps was achieved over the 12-month performance period, representing a year-on-year growth of 25%.
Strategic	15%	Implementation of major projects Risk management Innovation & enhancement of processes and procedures	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 FY22 EPS targets 2. Acquisitions • 14 new storage centres, the freehold of one previously leasehold storage centre • eight development sites • totalling $200 million 3. Developments • Completed five developments adding over 38,300m² of NLA • Added 17 sites to the development and expansion pipeline 4. Technology and Innovation • WineArk customer management system upgrade • Cyber security and PCI compliance program
Individual	15%	Undertaking all necessary investor relations activities expected of an ASX200 listed entity Delivery of timely and accurate management reports Maintenance of a suitable qualified executive team Maintenance of best practice health, safety environmental practices	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 the CEO's individual KPIs for FY22: • 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 achievement of 7.45, which was a significant reduction from June 2021 of 21.58. • No reportable health, safety or environmental incidences during the reporting period.

The assessment of the FY22 LTI outcomes was considered against predetermined set of assessment criteria. The criteria utilised were:

Metric	Weighting	Vesting Schedule	
Relative Total Shareholder Return	70%	RTSR when ranked to the comparator group of ASX 200 A-REIT Index	Scrip subject to rTSR hurdle that vest
		<50th percentile	0%
		50th percentile	50%
		>50th - <75th percentile	Pro-rata from 50%-100%
		>=75th percentile	100%
Earnings Per Share Growth	30%	EPS growth achieved over the performance period	Scrip subject to EPS hurdle that vest
		9.5cps	100%

In assessing performance against the criteria above the Board sourced NSR's TSR ranking (as outlined above) and determined that NSR ranked number one (100th percentile) for TSR over the 3 year period to 30 June 2022, resulting in 100% of the TSR component being payable. The Board also determined that the FY22 Earnings Per Share (EPS) of 10.6cps satisfied that EPS component of the LTI, resulting in 100% of the EPS component being payable.

As part of the review of the EPS component the Board acknowledged that the EPS target had been previously reset following the M&A activity and onset of COVID-19 in FY20 and that the revised target was below the 5% compound growth target. The Board reviewed its original decision to reset the EPS target which was based on the initial impacts of COVID-19, but primarily based on the change in strategy that was necessitated by the FY21 M&A activity. The change in strategy saw NSR no longer actively pursuing larger scale joint ventures, rather focusing on the core self-storage business, and as such the income, both current and future, that was being derived from the joint ventures was significantly reduced. Based on this the Board concluded that a reset of the EPS hurdle for the LTI was appropriate.

The Board believes that the FY22 performance has shown that this revised strategy was appropriate with compound EPS growth in the 2 years following being 12.5% and that no adjustment to the FY22 LTI payment is warranted.

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 as equity. The equity component will be paid as scrip and given the three-year assessment period, will be issued free of restrictions. The table below outlines the cash and scrip components of the FY22 STI and LTI. The scrip component will be calculated using the 30-day VWAP to 30 June 2022 of $2.259.

INCENTIVE OFFICER	CASH STI	CASH LTI	CASH TOTAL	SCRIP STI	SCRIP LTI	SCRIP TOTAL	TOTAL
Andrew Catsoulis (MD)	$735,000	$315,000	$1,050,000	$315,000	$735,000	$1,050,000	$2,100,000
Stuart Owen (CFO)	$280,000	$120,000	$400,000	$120,000	$280,000	$400,000	$800,000
Claire Fidler (HoLG)	$133,000	$57,000	$190,000	$57,000	$133,000	$190,000	$380,000
Total	**$1,148,000**	**$492,000**	**$1,640,000**	**$492,000**	**$1,148,000**	**$1,640,000**	**$3,280,000**

INCENTIVE OFFICER	SCRIP – AT $2.259 STI	LTI	TOTAL
Andrew Catsoulis (MD)	139,449	325,380	464,829
Stuart Owen (CFO)	53,124	123,955	177,079
Claire Fidler (HoLG)	25,234	58,879	84,113
Total	**217,807**	**508,214**	**726,021**

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 FY23 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. 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 previous Reporting Period to provide benchmarking against the ASX200 A-REIT index and ASX101-200, which highlighted that base salary was below market, particularly in light of NSR's significantly increased scale, comparative performance from a TSR perspective and the fact that NSR has consistently outperformed the comparator group. Independent reviews are undertaken bi-annually and as such no independent review was undertaken during FY22.

The aggregate fixed remuneration for the KMP for the year commencing 1 July 2022 will increase by 5.8%, with the MD increasing by 4.2%, the CFO by 4.8% and the HoLG by 11.8%.

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 ASX101-200.

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
Strategic	15%	Assessment in accordance with performance in the following areas: • Implementation of major projects • Staff continuity • Risk management • Innovation and enhancement of processes and procedures
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 $1,920,000 for FY23 in aggregate for all KMP.

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 50th percentile in comparison to the ASX 200 A-REIT index. The LTI becomes payable in accordance with the sliding scale below once the 50th percentile hurdle is met.
Earnings Per Share Growth	30%	Target earnings per share growth of 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
<50th percentile	0%
50th percentile	50%
>50th - <75th percentile	Pro-rata from 50% - 100%
>= 75th percentile	100%

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. For the year commencing 1 July 2022 the LTI Earnings Per Share Growth target has been set at 12.3 cents per stapled security.

The minimum LTI payable is zero and maximum LTI payable is $1,920,000 for FY23 in aggregate for all KMP.

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. 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. The Board will review the use of cash as part of the LTI on a regular basis.

The equity component will be 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 2022 and ending 30 June 2025 is based off the approved FY23 LTI using the 30-day VWAP to 30 June 2022 as the issue price. As such, performance rights will be issued based on a calculation price of $2.259 with the number of rights to be issued (rounded up to the nearest 100) included in the table below.

ROLE	LTI AVAILABLE $	EQUITY COMPONENT 70%	PERFORMANCE RIGHTS VESTING 30 JUNE 2025
MD	1,190,000	833,000	368,000
CFO	470,000	329,000	145,700
HoLG	260,000	182,000	80,600

The LTI EPS target for year ending 30 June 2025 has been set at 12.3 cents per stapled security, representing 5.0% compound growth over the FY22 EPS of 10.6 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 FY22.

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 40 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.

Annual NSH non-executive directors' fees and Committee fees currently agreed to be paid by NSH effective from 1 July 2022 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.]				$325,500
Steven Leigh[b.]	131,300	$21,000	$23,600	$175,900
Howard Brenchley[c.]	131,300	$42,000	$13,100	$186,400
Inmaculada Beaumont	131,300	$21,000	-	$152,300
Scott Smith	131,300	$21,000	-	$152,300

a. Chairman and Chair of the Nomination Committee and receives a single fee for all roles
b. Chair of the Remuneration Committees
c. Chair of the Audit and Risk 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 2022 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	$1,250,000	• 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	$660,000	• 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	$475,000	• 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 2022. They are reviewed annually by the Remuneration Committee. Actual salaries paid in the year ended 30 June 2022 are shown on page 55.

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 pervious 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 three independent non-executive directors and is chaired by Steven Leigh. The Remuneration Committee met seven 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.
- 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 in making changes to the remuneration framework, and in particular the at-risk components of the structure, for 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 FY21 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	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2022	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors											
Laurence Brindle	217,591	-	-	8,072	17,399	-	-	-	-	243,062	0%
Anthony Keane	192,069	-	-	-	18,844	-	-	-	-	210,913	0%
Howard Brenchley	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**	

	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	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2021	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors											
Laurence Brindle	274,441	-	-	10,560	21,694	-	-	-	-	306,695	0%
Anthony Keane	140,722	-	-	-	13,369	-	-	-	-	154,091	0%
Howard Brenchley	132,500	-	-	-	-	-	-	-	-	132,500	0%
Steven Leigh	120,748	-	-	-	11,471	-	-	-	-	132,219	0%
Executive directors											
Andrew Catsoulis	1,121,630	966,750	225,750	10,560	21,694	204,891	478,078	24,543	-	3,053,896	61%
Claire Fidler	393,163	149,000	36,000	10,560	21,694	32,674	76,238	9,132	-	728,461	40%
Senior executives											
Stuart Owen	603,552	333,500	72,000	10,560	21,694	65,347	152,477	13,699	-	1,272,829	49%
Total	**2,786,756**	**1,449,250**	**333,750**	**42,240**	**111,616**	**302,912**	**706,793**	**47,374**	**-**	**5,780,691**	

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	-	-	$342,339
	FY23 Performance Rights - EPS	2022	2023	107,880	$2.30	-	-	$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
Claire Fidler (HoLG)	FY23 Performance Rights - TSR	2022	2023	45,570	$1.36	-	-	$61,975
	FY23 Performance Rights - EPS	2022	2023	19,530	$2.30	-	-	$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
Stuart Owen (CFO)	FY23 Performance Rights - TSR	2022	2023	95,900	$1.36	-	-	$130,424
	FY23 Performance Rights - EPS	2022	2023	41,100	$2.30	-	-	$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

* 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 20.

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 2021	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	ACQUIRED	BALANCE 30 JUNE 2022
Directors of NSH					
Laurence Brindle*	1,523,488	-	-	-	-
Anthony Keane	242,016	-	-	-	242,016
Andrew Catsoulis	14,443,612	344,340	-	-	14,787,952
Howard Brenchley	122,751	-	-	-	122,751
Steven Leigh	233,068	-	-	-	233,068
Claire Fidler	14,494	54,912	-	-	69,406
Executives of NSH					
Stuart Owen	115,949	109,824	-	-	225,773
Total	**16,695,378**	**509,076**	**-**	**-**	**15,680,966**

* Mr Brindle ceased being a Director effective 5 April 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 2021	GRANTED AS REMUNERATION	VESTED	LAPSED	BALANCE 30 JUNE 2022
Directors of NSH					
Laurence Brindle*	-	-	-	-	-
Anthony Keane	-	-	-	-	-
Andrew Catsoulis	-	719,200	-	-	719,200
Howard Brenchley	-	-	-	-	-
Steven Leigh	-	-	-	-	-
Claire Fidler	-	130,200	-	-	130,200
Executives of NSH					
Stuart Owen	-	274,000	-	-	274,000
Total	**-**	**1,123,400**	**-**	**-**	**1,123,400**

* Mr Brindle ceased being a Director effective 5 April 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 2022 to the date of this report the Group settled three storage centre investment properties for a total cost of $19m, and three development sites for $12.7m.

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 58.

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 $49,320 for the provision of Category 4 fees for other services conducted during the financial year. Refer Note 21 of the financial statements.

FEES PAID TO AND INTERESTS HELD IN THE 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 17 to the financial statements.

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

INTERESTS IN THE NSPT

The movement in units on issue by the NSPT during the year is set out in Note 13 to the financial statements.

This Directors' Report is made on 22 August 2022 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 2022, 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
22 August 2022

MILTON,QLD

BIGGERA WATERS, QLD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Revenue from rental income		260,929	201,555
Revenue from contracts with customers	5	17,207	15,327
Interest income	7	751	866
Total revenue		**278,887**	**217,748**
Employee expenses	6	(51,243)	(41,743)
Premises costs		(33,754)	(25,963)
Advertising and marketing costs		(7,335)	(6,531)
Insurance costs		(6,137)	(5,233)
Information technology and communications		(6,438)	(5,255)
Other operational expenses	6	(17,965)	(14,148)
Finance costs	7	(32,131)	(38,507)
Share of profit/(loss) from joint ventures and associates	12	1,741	(570)
Gain from fair value adjustments	10.3	510,420	231,718
Restructuring and other non-recurring costs		(4,357)	(874)
Foreign exchange loss		(832)	(70)
Profit before income tax		**630,856**	**310,572**
Income tax expense	8	(10,238)	(864)
Profit after tax		**620,618**	**309,708**
Profit for the year attributable to:			
Members of National Storage Holdings Limited		27,220	3,728
Non-controlling interest (unitholders of NSPT)		593,398	305,980
		620,618	**309,708**
Basic earnings per stapled security (cents)	19	52.13	30.12
Diluted earnings per stapled security (cents)	19	52.05	30.12

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 2022

	2022 $'000	2021 $'000
Profit after tax	**620,618**	**309,708**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,830)	(501)
Net gain on cash flow hedges	26,793	13,581
Other comprehensive gain for the year, net of tax	**21,963**	**13,080**
Total comprehensive income for the year	**642,581**	**322,788**
Total comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	27,076	3,721
Non-controlling interest (unitholders of NSPT)	615,505	319,067
	642,581	**322,788**

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 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9.1	83,651	95,910
Trade and other receivables	9.2	20,153	15,056
Inventories	10.1	1,849	1,318
Income tax receivable		-	29
Other current assets	9.3	7,009	4,909
Total current assets		**112,662**	**117,222**
Non-current assets			
Trade and other receivables	9.2	135	1,893
Property, plant and equipment	10.2	1,365	1,408
Right of use assets	9.6	5,165	5,782
Investment properties	10.3	3,830,234	3,055,800
Investment in joint ventures and associates	12	10,528	7,881
Intangible assets	10.4	46,801	47,197
Deferred tax assets	8	9,537	8,444
Other non-current assets	9.3	37,554	6,246
Total non-current assets		**3,941,319**	**3,134,651**
Total assets		**4,053,981**	**3,251,873**
LIABILITIES			
Current liabilities			
Trade and other payables	9.4	23,936	21,468
Lease liabilities	9.6	10,636	9,037
Deferred revenue	10.5	17,600	16,185
Income tax payable		9,769	237
Provisions	10.6	3,926	3,457
Distribution payable	16	64,557	49,689
Other liabilities		-	22
Total current liabilities		**130,424**	**100,095**
Non-current liabilities			
Trade and other payables	9.4	461	-
Borrowings	9.5	972,017	758,050
Lease liabilities	9.6	97,954	101,663
Provisions	10.6	9,261	3,213
Deferred tax liabilities	8	4,972	4,107
Other liabilities		-	103
Total non-current liabilities		**1,084,665**	**867,136**
Total liabilities		**1,215,089**	**967,231**
Net assets		**2,838,892**	**2,284,642**
EQUITY			
Non-controlling interest (unitholders of NSPT)		2,631,973	2,109,561
Contributed equity	13	163,526	161,320
Other reserves	14	2,415	3
Retained earnings		40,978	13,758
Total equity		**2,838,892**	**2,284,642**

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 2022

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 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)	14	-	-	(144)	22,107	21,963
Total comprehensive income		**-**	**27,220**	**(144)**	**615,505**	**642,581**
Issue of stapled securities	13	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	8	7	-	-	-	7
Share-based payments	20	-	-	2,556	-	2,556
Distributions	16	-	-	-	(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**
Balance at 1 July 2020		**133,169**	**10,030**	**10**	**1,578,615**	**1,721,824**
Profit for the year		-	3,728	-	305,980	309,708
Other comprehensive income / (loss)	14	-	-	(7)	13,087	13,080
Total comprehensive income		**-**	**3,728**	**(7)**	**319,067**	**322,788**
Issue of stapled securities	13	28,574	-	-	308,901	337,475
Costs associated with issue of stapled securities		(607)	-	-	(6,625)	(7,232)
Deferred tax on cost of issue of stapled securities	8	184	-	-	-	184
Distributions	16	-	-	-	(90,397)	(90,397)
		28,151	**-**	**-**	**211,879**	**240,030**
Balance at 30 June 2021		**161,320**	**13,758**	**3**	**2,109,561**	**2,284,642**

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 2022

	Notes	2022 $'000	2021 $'000
Operating activities			
Receipts from customers		305,478	244,084
Payments to suppliers and employees		(139,037)	(109,073)
Interest received	9.1	118	689
Income tax paid	9.1	(807)	(541)
Net cash flows from operating activities	9.1	**165,752**	**135,159**
Investing activities			
Purchase of investment properties		(230,627)	(375,809)
Improvements to investment properties		(5,155)	(6,404)
Development of investment properties under construction		(42,585)	(45,966)
Purchase of property, plant and equipment	10.2	(840)	(763)
Development of intangible assets		(1,132)	(794)
Investments in associates and joint ventures	12	(906)	-
Net cash flows used in investing activities		**(281,245)**	**(429,736)**
Financing activities			
Proceeds from issue of stapled securities	13	-	325,472
Transaction costs on issue of stapled securities		(599)	(6,921)
Distributions paid to stapled security holders	16	(76,779)	(63,172)
Proceeds from borrowings		1,230,861	391,062
Repayment of borrowings		(1,010,517)	(310,000)
Financing provided to joint ventures	17	(225)	(5,875)
Repayment of financing provided to joint ventures	17	750	4,500
Payment of principal and interest on lease liabilities		(15,621)	(13,507)
Interest and other finance costs paid		(24,512)	(21,470)
Net cash flows from financing activities		**103,358**	**300,089**
Net (decrease) / increase in cash and cash equivalents		(12,135)	5,512
Net foreign exchange difference		(124)	46
Cash and cash equivalents at 1 July		95,910	90,352
Cash and cash equivalents at 30 June	9.1	**83,651**	**95,910**

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 2022

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 2022 was approved on 22 August 2022, 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 2021 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 2022. This is available at www.nationalstorageinvest.com.au.

Deficiency of net current assets

As at 30 June 2022, the Group had an excess of current liabilities over current assets of $17.8m. $17.6m of this deficit relates to deferred revenue associated with prepaid storage rentals which are not expected to result in a cash outflow.

Accounting standard AASB 140 *Investment Property* requires the finance lease liability to be split between current and non-current while the corresponding asset is classed as non-current. This results in $9.3m of lease liabilities being classified as current. 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 and sufficient cash inflows from operations will enable all liabilities to be paid when due.

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.

The Group has share-based payments for the first time for the year ended 30 June 2022 and applied AASB 2 *Share-based Payment* in relations to these transactions (refer to note 2(t)).

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 2022 are outlined in the following table:

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 2020-3	Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle)	Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf.	1 January 2022	1 July 2022
AASB 2020-3	Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use	Under AASB 116 Property, Plant and Equipment, net proceeds from selling items produced while constructing an item of property, plant and equipment are deducted from the cost of the asset. The IASB's research indicated diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the	1 January 2022	1 July 2022

		proceeds from selling items produced before that asset is available for use.		
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 2023	1 July 2023
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
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 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 less any amount contractually refundable to customers 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 fair value of the 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 that 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 controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Accounting for the tax consolidation legislation is only relevant for the individual financial statements of the parent entity (head entity) in the tax consolidated group, but not for the consolidated financial statements.

*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. In order to determine if there is an integrated set of activities, an assessment of minimum business requirements and what substantive processes have been acquired, is applied.

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 10.3). 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 because 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.

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

Subsequent measurement

Financial assets at amortised cost
The Group measures financial assets at amortised cost if the financial asset is held with the objective to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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
The Group measures debt instruments at fair value through other comprehensive income if the financial asset is held with the objective of both holding to collect contractual cash flows and sale, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, 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
This category includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired and the Group has transferred substantially all the risks and rewards of ownership or control of the asset.

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 at fair value through profit or loss are designated at the initial date of recognition only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability 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, forward currency exchange contracts 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.
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. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

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.

For hedges that were initially entered into prior to 1 July 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine if they have been highly effective throughout the financial reporting periods for which they were designated.

From 1 July 2018, 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;
- 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 9.7. Movements in the hedging reserve in equity are shown in note 14. The full fair value of a hedging derivative is classified as either a current or non-current asset or liability dependent upon if remaining maturity of the hedged item is less than or greater than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within interest income and finance costs.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions. The ineffective portion relating to foreign currency contracts is recognised as other operational expenses.

The Group designates only the spot element of forward 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 a proxy 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 that in accordance with 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 as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognised in finance costs in the consolidated statements of profit or loss and within 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 lease agreements, the Group must restore the leased premises in a number of leasehold premises to its original condition at lease expiry. A provision has been recognised for the obligation to remove leasehold improvements from the leased premises (note 10.6).

(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 20.

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 grant date fair value of awards, 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 19).

(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 22 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 and its wholly-owned entities have implemented the tax consolidation legislation. The head entity, NSH, and the controlled entities that are in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right.
In addition to its own current and deferred tax amounts, NSH also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate NSH for any current tax payable and are compensated by NSH for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to NSH under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the 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 9.7 and 10.7.

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, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

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

- Capital management (note 16)
- Financial instruments risk management and policies (notes 9.7, 15)
- Sensitivity analyses disclosures (notes 10.7, 15).

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 2022 and 30 June 2021, 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 Directors' 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 10.7.

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 full 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 10.4.

4. SEGMENT INFORMATION

During the 2022 and 2021 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) are managed on a Group basis and 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

	2022 $'000	2021 $'000
Revenue from external customers		
Australia	251,053	194,596
New Zealand	27,083	22,286
Total	278,136	216,882

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

	2022 $'000	2021 $'000
Non-current operating assets		
Australia	3,401,320	2,717,530
New Zealand	438,291	348,703
Total	3,839,611	3,066,233

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

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Sale of goods and services	7,983	7,232
Agency fees and commissions	6,646	5,724
Design and development fees	1,842	1,741
Management fees	736	630
Total revenue from contracts with customers	17,207	15,327

6. EXPENSES

	Notes	2022 $'000	2021 $'000
Other operational expenses			
Professional fees		3,525	2,991
Cost of packaging and other products sold		5,010	3,776
Bank charges		2,069	1,456
Motor vehicle expenses		593	677
Depreciation		1,888	1,600
Amortisation of intangible assets	10.4	1,290	747
Travel and entertainment costs		1,172	539
Other expenses		2,418	2,362
Total other operational expenses		17,965	14,148
Employee expenses			
Wages and salaries		39,073	33,635
Post-employment benefits		3,191	2,534
Share-based payments		2,556	-
Payroll tax		2,187	1,546
Other employee costs		4,236	4,028
Total employee expenses		51,243	41,743

7. INTEREST INCOME AND FINANCE COSTS

	2022 $'000	2021 $'000
Interest income		
Bank interest	222	245
Interest income from related parties	529	621
Total interest income	751	866
Finance costs		
Interest on borrowings	18,900	20,007
Reclassification from cash flow hedge reserve to consolidated statement of profit or loss (see note 14)	7,815	10,923
Interest on lease liabilities relating to investment property	5,265	7,389
Interest on other lease liabilities	151	188
Total finance costs	32,131	38,507

8. 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 2022 and 30 June 2021 are:

	Notes	2022 $'000	2021 $'000
Consolidated statement of profit or loss			
Current tax		11,850	1,422
Deferred tax		(1,833)	(134)
Adjustment in relation to prior periods		221	(424)
Total income tax expense		10,238	864
Deferred tax relating to items recognised in other comprehensive income during the year			
Net gain / (loss) on revaluation of cash flow hedges	14	3	(6)
Deferred tax relating to items recognised in statement of changes in equity during the year			
Cost of issuing share capital		(7)	(184)
Reconciliation of tax expense and accounting profit multiplied by Australia's domestic tax rate for 2022 and 2021:			
Profit before tax		630,856	310,572
Deduct profit before tax from Trusts owning Australian properties		(559,655)	(270,069)
Accounting profit before income tax		71,201	40,503
Tax at the Australian tax rate of 30% (2021 – 30%)		21,360	12,151
Non-deductible / assessable amounts		1,700	1,282
Deductible / non-assessable amounts		(11,110)	(11,111)
Adjustments in respect of previous years		131	(455)
Effect of lower tax rates in New Zealand		(729)	(747)
Recognition of previously unrecognised tax losses		(1,114)	(256)
Income tax expense		10,238	864

	2022 $'000	2021 $'000
Deferred tax benefit included in income tax benefit comprises:		
Increase in deferred tax assets	(88,270)	(19,065)
Increase in deferred tax liabilities	88,042	19,072
Movement of deferred tax asset on carry forward losses shown in current tax expense	(1,734)	(336)
Exchange variations	119	5
Movement in deferred tax asset recognised in other comprehensive income	3	6
Movement in deferred tax asset recognised in statement of changes in equity	7	184
Total deferred tax benefit	(1,833)	(134)
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Lease liabilities	410,805	324,708
Employee benefits	1,528	1,166
Accrued expenses	1,945	964
Carry forward losses	618	1,203
Make good provisions	2,374	768
Revaluation of investment property assets	1,508	1,755
Other	560	504
Total deferred tax assets	419,338	331,068
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Right of use assets	1,547	1,732
Trade and other receivables	14	16
Intangibles	191	337
Revaluations of investment properties	413,013	324,641
Unrealised foreign exchange losses	8	5
Total deferred tax liabilities	414,773	326,731
Net deferred tax assets	4,565	4,337
Reconciliation to consolidated statement of financial position		
Deferred tax assets	9,537	8,444
Deferred tax liabilities	(4,972)	(4,107)
Net deferred tax assets	4,565	4,337

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:

	2022 $'000	2021 $'000
Recognised group tax losses	2,069	4,010
Unrecognised group tax losses	-	3,831
Total	2,069	7,841

Australian losses are available for offsetting against future taxable profits of the NSH tax group subject to the satisfaction of the same business test and a reduced rate of utilisation under the 'available fraction' rules. New Zealand losses are available for offsetting against future taxable profits of NSNZPT.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	Notes	2022 $'000	2021 $'000
Financial assets			
At amortised cost			
Cash and cash equivalents	9.1	83,651	95,910
Trade and other receivables	9.2	20,288	16,949
Deposits	9.3	16,678	3,849
		120,617	116,708
Measured at fair value			
Derivatives used for hedging	9.3	21,263	2,408
Total financial assets		141,880	119,116
Financial liabilities			
Trade and other payables	9.4	24,397	21,468
Borrowings	9.5	975,448	761,343
Lease liabilities	9.6	108,590	110,700
		1,108,435	893,511
Measured at fair value			
Derivatives used for hedging		-	125
Total financial liabilities		1,108,435	893,636

The Group's approach to financial risk management is discussed in note 15. 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.

All derivatives relate to interest rate swaps held by the Group. These have been designated as cash flow hedges and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

9.1. Cash and cash equivalents

	2022 $'000	2021 $'000
Current assets		
Cash on hand	3	2
Cash at bank	83,648	95,908
Total cash and cash equivalents	83,651	95,910

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

	2022 $'000	2021 $'000
Profit after income tax	620,618	309,708
Income tax expense	10,238	864
Profit before tax	630,856	310,572
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	1,888	1,600
Loss on disposal of property, plant and equipment	235	-
Amortisation of intangible assets presented within restructuring and other non-recurring costs	1,290	746
Derecognition of intangible assets	238	56
Fair value adjustments	(510,420)	(231,718)
Derecognition of capitalised borrowing costs	3,842	-
Share-based payments	2,556	-
Share of (profit) / loss from joint ventures and associates	(1,741)	570
Interest income	(751)	(866)
Finance costs	32,131	38,507
Changes in operating assets and liabilities:		
Decrease in receivables	(3,443)	939
Increase in inventories	(531)	(485)
(Increase) / decrease in other assets	(1,724)	3,278
Increase in payables	4,134	6,575
Increase in deferred revenue	1,415	3,949
Increase in provisions	6,466	1,288
Cash flows from operating activities	**166,441**	**135,011**
Interest received	118	689
Income tax paid	(807)	(541)
Net cash flows from operating activities	**165,752**	**135,159**

Disclosure of non-cash financing activities

Non-cash financing activities include capital raised pursuant to the NSR's distribution reinvestment plan. During the year 11.9m stapled securities (2021: 6.6m) were issued with a cash equivalent of $27.6m (2021: $12.0m).

9.2. Trade and other receivables

	Notes	2022 $'000	2021 $'000
Current			
Trade receivables		3,648	2,885
GST and employment taxes receivable		-	722
Other receivables		6,607	4,285
Receivables from related parties	17	10,117	7,322
Allowance for expected credit losses on trade receivables		(219)	(158)
		20,153	15,056
Non-current			
Receivables from related parties	17	-	1,775
Other receivables		135	118
		135	1,893
Total current and non-current		20,288	16,949

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 significant 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 17 for terms and conditions relating to related party receivables.

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

	2022 $'000	2021 $'000
At 1 July	158	189
Charge / (credit) for the year	77	(9)
Reversed in the year	(13)	(22)
Effect of movement in foreign exchange	(3)	-
At 30 June	219	158

The age of trade receivables not impaired was as follows:

	2022 $'000	2021 $'000
0 to 3 months	3,379	2,607
3 to 6 months	45	79
Over 6 months	5	41
	3,429	2,727

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.

9.3. Other assets

	2022 $'000	2021 $'000
Current		
Prepayments	6,622	4,898
Financial assets (derivatives)	387	11
	7,009	4,909
Non-current		
Deposits	16,678	3,849
Financial assets (derivatives)	20,876	2,397
	37,554	6,246
Total current and non-current	44,563	11,155

Deposits include advances on contracts or options on investment property purchases. Projects for which the Group has a future commitment to acquire are detailed in note 18.

For details on the classification of financial instruments see note 9.

9.4. Trade and other payables

	2022 $'000	2021 $'000
Current		
Trade payables	465	1,364
Accrued expenses	19,880	16,375
GST and other employment taxes payable	2,324	2,311
Other payables	1,267	1,418
	23,936	21,468
Non-current		
Other payables	461	-
	461	-
Total current and non-current	24,397	21,468

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.

9.5. Borrowings

	2022 $'000	2021 $'000
Non-current		
Bank finance facilities	975,448	761,343
Non-amortised borrowing costs	(3,431)	(3,293)
Total borrowings	972,017	758,050

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:

	2022 $'000	2021 $'000
Bank finance facilities (AUD)		
Drawn amount	827,000	548,000
Facility limit	1,080,000	930,000
Bank finance facilities (NZD)		
Drawn amount	164,250	229,150
Facility limit	225,000	251,750
AUD equivalent of NZD facilities		
Drawn amount	148,448	213,343
Facility limit	203,354	234,384

The major terms of these agreements are as follows:

- At 30 June 2022 maturity dates on these facilities range from 23 September 2023 to 23 June 2029 (30 June 2021: maturity dates from 23 July 2022 to 23 December 2026).
- All facilities are interest only with any drawn balances paid upon maturity.
- The interest rate applied is the bank bill rate plus a margin depending on the gearing ratio.

The Group has a bank overdraft facility with a limit of $3m that was undrawn at 30 June 2022 and 30 June 2021. During the year ended 30 June 2022, the Group completed a refinance of its debt facilities. This resulted in the transition from a secured "club" arrangement to an unsecured lending platform under a revised Common Terms Deed. On conclusion of this process, the Group repaid existing facilities and entered into a combination of revolver facilities and term loans with major Australian and international banks. This has extended the tenor of the Group's borrowings and also expanded the Group's lender pool.

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

Transaction costs of $3.8m relating to extinguished facilities were expensed in the period. These costs are included within restructuring and other non-recurring costs in the consolidated statement of profit or loss.

The Group has complied with the financial covenants of their borrowing facilities during the 2022 and 2021 reporting periods (see note 16). 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 15.

Interest rate swaps

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

	2022 $'000	2021 $'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	360,000	385,000
Interest rate swaps (NZD) at face value		
Current interest rate swaps	-	50,000
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	-	46,551

Interest rate swaps in place at the end of the reporting period have maturity dates ranging from 23 September 2022 to 23 September 2026 (2021: 23 September 2021 to 23 September 2026).

The cumulative change in fair value of these hedging instruments is carried in a separate reserve in equity (cash flow hedge reserve of NSPT presented within non-controlling interest in the Group's consolidated statement of changes in equity). This balance is amortised from the hedge reserve to finance costs in the statement of profit or loss in the current and future reporting periods corresponding to when the underlying hedged item impacts profit or loss. For the year ended 30 June 2022, $7.8m (30 June 2021: $10.9m) has been recognised in finance costs relating to this item (see note 7).

Hedge of net investments in foreign operations

Included in borrowings at 30 June 2022, amounts totalling NZD $51.9m (AUD $47.2m) have been designated as a hedge of the net investments against the value of the New Zealand tangible assets (30 June 2021: NZD $51.9m, (AUD $48.3m)). These borrowings are being used to hedge the Group's exposure to the NZD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no hedge ineffectiveness in the years ended 30 June 2022 or 30 June 2021 recognised in the consolidated statement of profit or loss.

9.6. 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 2021	4,902	745	135	5,782
Additions in the year ended	587	23	-	610
Depreciation charge	(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
Opening balance at 1 July 2020	5,742	790	8	6,540
Additions in the year ended	-	250	144	394
Depreciation charge	(840)	(301)	(13)	(1,154)
Reassessment of variable lease payments	-	6	(4)	2
Closing balance at 30 June 2021	4,902	745	135	5,782

b) Lease liabilities

	2022 $'000	2021 $'000
Current lease liabilities		
Lease liabilities relating to right of use assets	1,342	1,142
Lease liabilities relating to right of use assets presented as leasehold investment properties	9,294	7,895
Total current lease liabilities	10,636	9,037
Non-current lease liabilities		
Lease liabilities relating to right of use assets	4,317	4,958
Lease liabilities relating to right of use assets presented as leasehold investment properties	93,637	96,705
Total non-current lease liabilities	97,954	101,663
Total lease liabilities	108,590	110,700

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.

	2022 $'000	2021 $'000
Amounts recognised in consolidated statement of profit or loss:		
Depreciation expense of right of use assets	1,325	1,154
Interest expense on lease liabilities	5,416	7,577
Expenses relating to short term leases presented within premises costs	76	21
Lease diminution on leasehold investment properties presented within fair value adjustments (note 10.3)	6,954	4,131
Total	13,771	12,883

Group as a lessor

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

	30 June 2022 $'000	30 June 2021 $'000
Within one year	6,359	3,222
After one year but not more than five years	10,792	6,634
More than five years	906	1,294
Total	18,057	11,150

9.7. 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 9.1 to 9.6. 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 swaps 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 swaps are included in level 2.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2022					
Derivatives used for hedging - interest rate swaps					
Current financial assets	9.3	-	387	-	387
Non-current financial assets	9.3	-	20,876	-	20,876
		-	21,263	-	21,263
At 30 June 2021					
Derivatives used for hedging - Interest rate swaps					
Current financial assets	9.3	-	11	-	11
Non-current financial assets	9.3	-	2,397	-	2,397
Current financial liabilities		-	(22)	-	(22)
Non-current financial liabilities		-	(103)	-	(103)
		-	2,283	-	2,283

There were no transfers between levels of fair value hierarchy during the years ended 30 June 2022 and 30 June 2021.

10. 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.

10.1. Inventories

	2022 $'000	2021 $'000
Finished goods - at lower of cost and net realisable value	1,849	1,318

10.2. Property, plant and equipment

	2022 $'000	2021 $'000
At cost	2,717	2,666
Accumulated depreciation	(1,352)	(1,258)
Total property, plant and equipment	1,365	1,408

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

	2022 $'000	2021 $'000
Plant and equipment		
Opening balance at 1 July	1,408	1,091
Additions	840	763
Disposals	(318)	-
Depreciation	(563)	(446)
Effect of movement in foreign exchange	(2)	-
Closing balance at 30 June	1,365	1,408

10.3. Investment properties

	Notes	2022 $'000	2021 $'000
Leasehold investment properties	10.7	140,681	137,498
Freehold investment properties in operation	10.7	3,612,082	2,834,509
Investment properties under construction		77,471	83,793
Total investment properties		3,830,234	3,055,800
Leasehold investment properties			
Opening balance at 1 July		137,498	201,202
Property acquisitions		7,412	-
Improvements to investment properties		249	311
Reassessment of lease terms	9.6b	7,388	(53,981)
Items reclassified from investment properties under construction		-	1,529
Items reclassified to freehold investment properties		(11,500)	-
Lease diminution, presented as fair value adjustments		(6,954)	(4,131)
Net gain / (loss) from other fair value adjustments		6,588	(7,432)
Closing balance at 30 June		140,681	137,498
Freehold investment properties in operation			
Opening balance at 1 July		2,834,509	2,180,299
Property acquisitions		185,922	338,048
Improvements to investment properties		4,989	5,966
Items reclassified from leasehold investment properties		11,500	-
Items reclassified to investment properties under construction		(10,261)	-
Items reclassified from investment properties under construction		83,987	67,894
Net gain from fair value adjustments		510,786	243,520
Effect of movement in foreign exchange		(9,350)	(1,218)
Closing balance at 30 June		3,612,082	2,834,509
Investment properties under construction			
Opening balance at 1 July		83,793	70,584
Property acquisitions		23,732	36,184
Development costs		45,208	46,586
Items reclassified to freehold investment properties		(83,987)	(67,894)
Items reclassified to leasehold investment properties		-	(1,529)
Items reclassified from freehold investment properties		10,261	-
Effect of movement in foreign exchange		(1,536)	(138)
Closing balance at 30 June		77,471	83,793

	2022 $'000	2021 $'000
Gains for the year in profit or loss (recognised in fair value adjustments)		
Realised losses – lease diminution of leasehold property	(6,763)	(4,131)
Unrealised gains associated with investment property	522,618	236,088
Movement in provisions presented in fair value adjustments	(5,435)	(239)
	510,420	231,718

10.4. Intangible assets

	Notes	2022 $'000	2021 $'000
Goodwill			
Opening and closing net book value		43,954	43,954
Other intangible assets			
Opening net book value		3,243	2,675
Additions		1,132	1,370
Derecognition losses presented within restructuring and other non-recurring costs		(238)	(56)
Amortisation	6	(1,290)	(746)
Closing net book value		2,847	3,243
Total intangible assets		46,801	47,197

Impairment testing of goodwill

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 10.7.

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.

10.5. Deferred revenue

	2022 $'000	2021 $'000
Deferred rental income revenue	17,600	16,185

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

10.6. Provisions

	2022 $'000	2021 $'000
Current		
Annual leave	2,615	2,100
Long service leave	1,311	1,357
	3,926	3,457
Non-current		
Make good provisions	8,079	2,773
Long service leave	1,182	440
	9,261	3,213
Reconciliation of movement in make good provisions		
As at 1 July	2,773	3,125
Arising on acquisition of leasehold investment property	398	-
Reassessment of existing provisions	6,836	591
Movement in discount rates	(1,928)	(324)
Utilised	-	(619)
As at 30 June	8,079	2,773

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.

10.7. 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 9.7 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 2022					
Leasehold investment properties	10.3	-	-	140,681	140,681
Freehold investment properties	10.3	-	-	3,612,082	3,612,082
		-	-	3,752,763	3,752,763
At 30 June 2021					
Leasehold investment properties	10.3	-	-	137,498	137,498
Freehold investment properties	10.3	-	-	2,834,509	2,834,509
		-	-	2,972,007	2,972,007

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. Freehold investment properties acquired in the year ended 30 June 2022 have been held at acquisition price.

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

At 30 June 2022, the Group held 41% of freehold investment properties and 23% of leasehold investment properties at external valuation (30 June 2021: 37% of freehold investment properties and 46% of leasehold investment properties).

Valuation inputs and relationship to fair value

Description	Significant unobservable inputs	Range at 30 June 2022	Range at 30 June 2021
Investment properties - freehold	Primary capitalisation rate	4.7% to 7.3%	5.0% to 7.0%
	Secondary capitalisation rate	5.3% to 8.5%	6.0% to 8.0%
	Weighted average primary cap rate	5.8%	5.9%
	Weighted average secondary cap rate	6.3%	6.4%
	Sustainable occupancy	70% to 98%	75% to 98%
	Stabilised average EBITDA	$1,087,144	$963,839
Investment properties - leasehold	Primary capitalisation rate	6.0% to 53.9%	5.8% to 30.0%
	Secondary capitalisation rate	6.5% to 53.9%	5.8% to 30.0%
	Weighted average primary cap rate	11.2%	10.1%
	Weighted average secondary cap rate	12.1%	11.6%
	Sustainable occupancy	85% to 95%	83% to 94%
	Stabilised average EBITDA	$368,167	$302,775

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 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)

At 30 June 2021:

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%)	(3,150) / 4,110	1% / (1%)	(352,120) / 500,170
Secondary capitalisation rate	2% / (2%)	(1,900) / 3,220	2% / (2%)	(96,400) / 180,310
Sustainable occupancy	5% / (5%)	7,430 / (2,000)	5% / (5%)	169,010 / (73,120)
Stabilised EBITDA	5% / (5%)	1,930 / (1,380)	5% / (5%)	130,030 / (77,740)

11. 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 2022 include:

Name of controlled entity	Place of incorporation	Equity interest 2022	Equity interest 2021
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%	-
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*

12. INTEREST IN JOINT VENTURES AND ASSOCIATES

Interest in joint ventures

	2022 $'000	2021 $'000
Opening balance at 1 July	5,653	6,130
Share of profit / (loss) from joint ventures*	1,780	(477)
Closing balance at 30 June	7,433	5,653

** Included within share of profit / (loss) from joint ventures in the year ended 30 June 2022 was $2.0m representing NSR's share of fair value gains related to investment properties held by joint ventures (30 Jun 2021 : $0.2m loss).*

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 2022.

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 2022, the Bundall Storage Trust and the TBF & NS Trust each holds one storage centre investment property. Bundall Storage Operations Pty Ltd, and Moorooka Storage Operations Pty Ltd operate self-storage businesses at the centres owned by the Bundall Storage Trust and the TBF & NS Trust respectively.

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

	2022 $'000	2021 $'000
Opening balance at 1 July	2,228	2,321
Capital contribution in associate	906	-
Share of loss from associates	(39)	(93)
Closing balance at 30 June	3,095	2,228

The Group holds a 19% (30 June 2021: 25.9%) holding in Spacer Technologies Pty Ltd ("**Spacer**"). Spacer operate online peer-to-peer marketplaces for self-storage and parking in Australia and North America. During the year ended 30 June 2022, the Group made a capital contribution of $0.9m into Spacer as part of an equity raise.

See note 17 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.

13. CONTRIBUTED EQUITY

	2022 $'000	2021 $'000
Issued and paid up capital	163,526	161,320

Number of stapled securities on issue	**2022**	**2021**
Opening balance at 1 July	1,183,070,060	1,013,740,898
Institutional and retail placements	-	162,736,215
Distribution reinvestment plan	11,919,173	6,592,947
Securities issued under equity incentive plan	509,076	-
Closing balance at 30 June	1,195,498,309	1,183,070,060

Distribution reinvestment plan

During the year, 11,919,173 (2021: 6,592,947) stapled securities were issued to securityholders participating in the Group's Distribution Reinvestment Plan for consideration of $27.6m (2021: $12m). 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 509,076 stapled securities were issued to the NSH senior executive team for FY21 Short Term Incentive ("**STI**") and Long Term Incentive ("**LTI**") remuneration under the Equity Incentive Plan ("**the Plan**"). These securities were issued following approval at the 2021 AGM on 26 October 2021. No consideration was paid by the recipients for the issue of the stapled securities, which were issued for a deemed price of $2.044 per stapled security 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 2021.

Capital raises

In the prior year ended 30 June 2021, the Group raised a total of $325m of equity resulting in the issue of 162,736,215 new stapled securities.

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.

14. OTHER RESERVES

	2022 $'000	2021 $'000
Share-based payment reserve		
Opening balance at 1 July	-	-
Expense for the year	2,556	-
Closing balance at 30 June	2,556	-
Foreign currency translation reserve		
Opening balance at 1 July	3	10
Foreign exchange translation differences	(144)	(7)
Closing balance at 30 June	(141)	3
Other reserves	2,415	3

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 20 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.

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	
	2022 $'000	2021 $'000
Foreign currency translation reserve		
Opening balance at 1 July	(1,504)	(1,010)
Net investment hedge	700	194
Foreign exchange translation differences	(5,386)	(688)
Closing balance at 30 June	(6,190)	(1,504)
Cash flow hedge reserve		
Opening balance at 1 July	(16,157)	(29,738)
Revaluation of cash flow hedges	7,815	2,652
Reclassification to consolidated statement of profit or loss (see note 7)	18,981	10,923
Taxation impact on revaluation (see note 8)	(3)	6
Closing balance at 30 June	10,636	(16,157)
Other reserves	4,446	(17,661)

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 swaps 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 2022, $7.8m (30 June 2021: $10.9m) 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.

15. 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 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	2022 $'000	2021 $'000
Interest rate swaps designated as cash flow hedges presented in:			
Current assets	9.3	387	11
Non-current assets	9.3	20,876	2,397
Current liabilities		-	(22)
Non-current liabilities		-	(103)
Net liability		21,263	2,283

Classification of derivatives

All derivatives have been designated as cash flow hedges. They 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 9.7.

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 2022 and 30 June 2021. 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 2022 and 30 June 2021 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 at 30 June 2022 and 30 June 2021 for the effects of the assumed changes of the underlying risk.

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 risk by having a balanced portfolio of variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2022, after taking into account the effect of interest rate swaps, 36.91% (2021: 56.7%) 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
2022		
Australian dollar denominated debt	+50 / -50	(1,962) / 1,962
New Zealand dollar denominated debt	+50 / -50	(2,008) / 2,008
2021		
Australian dollar denominated debt	+50 / -50	(1,405) / 1,405
New Zealand dollar denominated debt	+50 / -50	(765) / 765

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
2022	+5%	(1,669)	(4,678)
	-5%	1,845	7,055
2021	+5%	(1,738)	(5,415)
	-5%	1,921	6,413

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 2022, the Group has recognised an expected loss provision of $219,000 (30 June 2021: $158,000) 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 2022 and 30 June 2021 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 18, 22, and 23). 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:

	2022 $'000	2021 $'000
Expiring within one year (bank overdraft)	3,000	3,000
Expiring beyond one year (loans)	307,906	403,041
	310,906	406,041

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 9.5 and 16.

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 2022						
Non-derivatives						
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**
Derivatives						
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**

	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 2021						
Non-derivatives						
Trade and other payables	628	20,332	508	-	-	**21,468**
Borrowings	-	5,960	17,803	758,969	50,597	**833,329**
Lease liabilities	-	6,517	10,002	54,544	76,933	**147,996**
Distribution payable	-	49,689	-	-	-	**49,689**
Total non-derivatives	628	82,498	28,313	813,513	127,530	**1,052,482**
Derivatives						
Inflows	-	(118)	(332)	(5,825)	(240)	**(6,515)**
Outflows	-	386	965	3,131	67	**4,549**
Total derivatives	-	268	633	(2,694)	(173)	**(1,966)**
	628	82,766	28,946	810,819	127,357	**1,050,516**

Changes in liabilities arising from financing activities

	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
Derivatives:							
Interest rate swap							
Current financial liabilities	22	-	-	(22)	-	-	**-**
Non-current financial liabilities	103	-	-	(103)	-	-	**-**
Distributions payable	49,689	(76,779)	-	-	-	91,647*	**64,557**
Non-current 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**

	1 July 2020 $'000	Cash flows $'000	Foreign exchange movement $'000	Change in fair value $'000	New leases $'000	Other $'000	30 June 2021 $'000
Derivatives:							
Interest rate swap							
Current financial liabilities	50	-	-	(28)	-	-	**22**
Non-current financial liabilities	357	-	-	(254)	-	-	**103**
Distributions payable	34,467	(63,172)	-	-	-	78,394*	**49,689**
Non-current borrowings	677,702	81,062	(782)	-	-	68	**758,050**
Lease liabilities							
Current liabilities	6,011	(6,316)**	-	-	-	9,342	**9,037**
Non-current liabilities	164,582	-	-	-	-	(62,919)	**101,663**
Total liabilities from financing activities	883,169	11,574	(782)	(282)	-	24,885	**918,564**

The opening balances at 1 July 2020 above are stated after the adoption of AASB 16 Leases.

* Other balances presented above represent distributions declared in the year: $119.2m (30 June 2021: $90.4m) (see note 16), less units issued under the distribution reinvestment plan which do not result in a cash outflow: $27.6m (30 June: 2021: $12m), (see note 13).

**Relates to principal portion of lease liability payment. Total lease payments for the year ended 30 June 2022 were $15.6m (30 June 2021: $13.5m) as disclosed in the Consolidated Statement of Cashflows.

16. 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 the securityholder.

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 2022, the Groups gearing ratio was 23% (30 June 2021: 22%). The Group's target is to keep the gearing ratio 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	
	2022 $'000	2021 $'000
NSPT interim distribution of 4.6 cents per unit paid on 1 March 2022 (2021: 4 cents per unit)	54,685	40,708
NSPT final distribution of 5.4 cents per unit payable on 2 September 2022 (2021: 4.2 cents per unit)	64,557	49,689
	119,242	90,397

There are no proposed distributions not recognised as a liability for the year ended 30 June 2022.
The Directors of NSH have not declared an interim or final dividend for the year ended 30 June 2022.

Franking credit balance

	2022 $'000	2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 30%)	4,812	4,176

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.

17. 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	2022	225,507	-	2,683,928	-
	2021	224,394	-	2,458,421	-
Bundall Storage Trust	2022	322,257	-	3,390,434	-
	2021	200,675	-	3,078,992	-
Bundall Storage Operations Pty Ltd	2022	132,529	-	175,293	-
	2021	29,373	-	29,323	-
Spacer Marketplaces Pty Ltd	2022	-	87,684	-	-
	2021	-	107,511	-	-
The TBF & NS Trust	2022	832,498	-	3,837,538	-
	2021	831,735	-	3,529,934	-
Moorooka Storage Operations Pty Ltd	2022	30,000	-	29,950	-
	2021	-	-	-	-

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 2022, the Group had receivables outstanding of $1,775,000 (30 June 2021: $1,775,000) with the Bundall Commercial Trust and $2,850,000 (30 June 2021: $2,850,000) with the Bundall Storage Trust, and $1,150,000 (30 June 2021: $1,675,000) 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 and TBF & NS 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 2022. All other outstanding balances are unsecured and interest free.

The remaining amounts owed by these entities relate to contractual management fees and accrued interest not paid at 30 June 2022 and 30 June 2021.

There have been no guarantees provided or received for any related party receivables or payables. For the years ended 30 June 2022 and 30 June 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Key management personnel compensation

	Consolidated Group	
	2022 $'000	2021 $'000
Short-term employee benefits	4,213	4,278
Post-employment benefits	113	112
Equity settled short-term benefits	492	334
Equity settled long-term benefits	1,148	707
Other long-term benefits	543	350
	6,509	5,781

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 2022 and 30 June 2021are listed below:

Date of grant	Assessment period	2022 Number outstanding	2021 Number outstanding
2022	1-Jul-20 to 30-Jun-23	561,700	-
2022	1-Jul-21 to 30-Jun-24	561,700	-
		1,123,400	-

18. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2022, the Group held commitments to purchase four freehold investment properties and six development sites for $78.4m (30 June 2021: four freehold investment properties and three development sites for $53.7m).

As at 30 June 2022, the Group has contractual commitments in place for the construction of self-storage centres in Australia for $68.9m (30 June 2021: NZD$32.5m (AUD$30.3m) in New Zealand). (see note 10.3).

The Group also held commitments associated with the development of intangible assets for $0.1m.

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 9.6.

Guarantees and contingent liabilities

The Group's parent entity has provided bank guarantees of $9.2m (2021: $8.6m). These are provided to third party lessors and other related entities.

The Group did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

19. 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.

	2022 cents	2021 cents (restated)
Basic earnings per stapled security	52.13	30.12
Diluted earnings per stapled security	52.05	30.12

Reconciliation of earnings used in calculating earnings per stapled security

	$'000	$'000
Net profit attributable to members	620,618	309,708

	No. of securities	No. of securities (restated)
Weighted average number of securities on issue during the year	1,189,922,871	1,020,912,858
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	661,495	7,463,718
Weighted average number of securities used to calculate basic and diluted earnings per stapled securities	1,190,584,366	1,028,376,576
Effects of dilution from issue of performance rights and restricted securities	1,849,417	-
Weighted average number of securities for diluted earnings per stapled security	1,192,433,783	1,028,376,576

As required by AASB *133 Earnings per share*, for issues of capital raises during the year ended 30 June 2022 and 30 June 2021, 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 2021 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.

20. SHARE-BASED PAYMENTS

Executive remuneration plan

During the current year, the Group introduced a new Executive Remuneration Plan ("Plan"). Under the Plan, the Group is able to offer a range of different awards to eligible employees, including restricted securities, performance rights and/or options. The grant of awards under the Plan allows the Group to motivate, incentivise and retain key employees, whilst creating maximum alignment with corporate and stakeholder best interests.

Restricted securities

As part of the FY22 award under the Plan, key management personnel are eligible to receive restricted securities of the Group following the satisfaction of vesting conditions. The restricted securities vest at the end of the assessment period if predetermined underlying earnings and total shareholder return performance targets are met and the executive remains employed on such date. The restricted security granted will not vest if the performance condition is not met.

The fair value of the award was determined based on share price of the Group at the commencement of the financial year the award was granted. These awards are classified as equity-settled share-based payments and have been recognised within share-based payment expense for the year ended 30 June 2022.

Performance rights

Under the Plan performance rights are granted to executives as a component of remuneration under long term incentive plans. The performance rights vest three years from the date of grant as long as the executive remains employed on such date. Each performance right is a right to receive one security, subject to vesting conditions. There is no consideration payable by the participant upon vesting of the performance rights.

The vesting of these performance rights is contingent upon the meeting of pre-determined criteria, being total shareholder return ("**TSR**") and earnings per share growth targets. If these targets are not met, then the performance rights will lapse.

The fair value of performance rights with a market vesting condition (TSR) 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, which was prepared by an independent valuation expert, 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 with a non-market vesting condition (EPS growth target) is estimated at the date of grant using a binomial model, taking into account the terms and conditions on which the performance rights were granted

Expenses arising for employee services received during the year

For the year ended 30 June 2022, the Group has recognised $2.6m of equity-settled share-based payment expense in the consolidated statement of profit or loss (30 June 2021: $nil). There were no cancellations or modifications to the awards in 2022 or 2021.

Movements in the year

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

	2022 $'000	2021 $'000
Outstanding as at 1 July	-	-
Granted during the year	1,123,400	-
Forfeited during the year	-	-
Outstanding at 30 June	1,123,400	-
Exercisable at 30 June	-	-

The following tables list the inputs to the models used to determine the fair value at grant date of performance rights issued under the Plan:

	2023 Market condition (TSR)	2023 Non-market condition (EPS)
Grant date	22-Nov-21	22-Nov-21
Assessment period	1 Jul-20 to 30-Jun-23	1 Jul-20 to 30-Jun-23
Dividend yield (%)	3.37	3.37
Expected volatility (%)	35.04	35.04
Risk-free interest rate (%)	0.57	0.57
Expected life of performance rights (years)	1.60	1.60
Share price on grant day	2.43	2.43
Model used	Monte Carlo & Trinomial Lattice	Binomial

	2024 Market condition (TSR)	2024 Non-market condition (EPS)
Grant date	22-Nov-21	22-Nov-21
Assessment period	1 Jul-21 to 30-Jun-24	1 Jul-21 to 30-Jun-24
Dividend yield (%)	3.37	3.37
Expected volatility (%)	30.22	30.22
Risk-free interest rate (%)	0.96	0.96
Expected life of performance rights (years)	2.61	2.61
Share price on grant day	2.43	2.43
Model used	Monte Carlo & Trinomial Lattice	Binomial

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.

21. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

	2022 $	2021 $
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	647,100	602,100
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	35,200	27,900
Category 4 – Fees for other services	49,320	49,315
Total auditors' remuneration	731,620	679,315

22. INFORMATION RELATING TO THE PARENT ENTITY

Summary financial information

The individual financial statements for NSH, the parent entity, show the following aggregate amounts:

	2022 $'000	2021 $'000
Current assets	116,350	142,356
Total assets	138,551	160,583
Current liabilities	(21,618)	(28,526)
Total liabilities	(21,618)	(29,776)
Net assets	116,933	130,807
Issued capital	161,774	159,567
Other reserves	2,556	-
Retained earnings / (deficit)	(47,397)	(28,760)
	116,933	130,807
Loss after tax	(18,638)	(6,803)
Total comprehensive income / (loss)	(18,638)	(6,803)

Guarantees entered into by the parent entity

The Group's parent entity has provided bank guarantees of $9.2m (2021: $8.6m). 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 22. No deficiencies of assets exist in any of these companies.

Contingent liabilities of the parent entity

The parent entity of Group did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

23. DEED OF CROSS GUARANTEE

As at 30 June 2022 and 30 June 2021, 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	2022 $'000	2021 $'000
Profit before income tax	30,529	2,064
Income tax (expense) / benefit	(8,222)	1,331
Profit after tax	22,307	3,395
Retained earnings at the beginning of the year	7,943	3,548
Dividends received	1,300	1,000
Retained earnings at the end of the year	31,550	7,943

Consolidated statement of financial position	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	26,616	72,038
Trade and other receivables	84,944	32,390
Inventories	1,405	1,050
Income tax receivable	-	-
Other current assets	6,237	4,605
Total current assets	119,202	110,083
Non-current assets		
Trade and other receivables	135	118
Property, plant and equipment	1,285	1,320
Right of use assets	5,002	5,616
Investment properties	1,241,177	1,012,901
Investments	5,932	5,932
Intangibles	29,646	30,582
Deferred tax asset	9,226	8,499
Other non-current assets	16,676	3,846
Total non-current assets	1,309,079	1,068,814
Total assets	1,428,281	1,178,897
Liabilities		
Current liabilities		
Trade and other payables	16,973	31,888
Lease liabilities	9,808	8,257
Deferred revenue	15,720	14,498
Income tax payable	9,181	197
Provisions	3,721	3,312
Total current liabilities	55,403	58,152
Non-current liabilities		
Borrowings	-	1,250
Lease liabilities	1,167,737	948,772
Provisions	9,261	3,213
Total non-current liabilities	1,176,998	953,235
Total liabilities	1,232,401	1,011,387
Net assets	195,880	167,510
Equity		
Contributed equity	161,774	159,567
Other reserves	2,556	-
Retained profits	31,550	7,943
Total equity	195,880	167,510

24. EVENTS AFTER REPORTING PERIOD

For the period from 1 July 2022 to the date of this report the Group settled three storage centre investment properties for a total cost of $19.9m, and three development sites for $12.7m.

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 2022 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 2022 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 23 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 2022.

On behalf of the Board,

Anthony Keane	Andrew Catsoulis
Non-Executive Chairman	Managing Director
22 August 2022	22 August 2022
Brisbane	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 2022, 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 2022 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.

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Investment property valuation

Why significant	How our audit addressed the key audit matter
Investment properties represent approximately 94% 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 EBITDA (earnings before interest, tax, depreciation and amortisation). Disclosure relating to investment properties and the associated significant judgments are included in Notes 2(p), 3, 10.3, and 10.7 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 reasonability of key assumptions and inputs used in the valuations. These assumptions and inputs included capitalisation rates, occupancy rates including forecast occupancy levels, and stabilised 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 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(p) *Summary of significant accounting policies - Investment properties*, Note 3 *Significant accounting judgements, estimates and assumptions – Revaluation of investment properties*, Note 10.3 *Investment properties* and Note 10.7 *Non-financial assets fair value measurement*.

Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the National Storage REIT 2022 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.

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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.

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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 42 to 57 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of National Storage REIT for the year ended 30 June 2022, 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

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
22 August 2022

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 27 July 2022 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	1,393
1,001	-	5,000	1,986
5,001	-	10,000	1,521
10,001	-	100,000	2,674
100,001	-	And over	143
Total			7,717

There were 414 holders of less than a marketable parcel of stapled securities, representing 11,370 units.

(b) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as at 27 July 2022 are listed below:

	Stapled Securities	
Name	Number held	% of issued securities
HSBC Custody Nominees (Australia) Limited	507,938,798	42.49
J P Morgan Nominees Australia Limited	205,583,728	17.20
Perpetual Trustee Company Ltd	112,368,805	9.40
Citicorp Nominees Pty Limited	110,768,659	9.27
National Nominees Limited	40,236,382	3.37
BNP Paribas Noms Pty Ltd (DRP)	39,899,461	3.34
HSBC Custody Nominees (Australia) Limited – A/C 2	15,806,098	1.32
Citicorp Nominees Pty Limited – (Colonial First State Inv A/C)	10,675,782	0.89
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	6,134,983	0.51
Neweconomy Com Au Nominees Pty Limited	4,020,465	0.34
Australian Executor Trustees Limited	3,792,751	0.32
Hooks Enterprises Pty Ltd	3,360,000	0.28
BNP Paribas Nominees Pty Ltd Acf Clearstream	2,695,278	0.23
Leyshon Investments (Australia) Pty Ltd	2,240,000	0.19
Leendert & Aaltje Hoeksema	1,980,000	0.17
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP A/C)	1,865,256	0.16
Brindle Super Pty Ltd	1,523,488	0.13
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	1,467,364	0.12
BNP Paribas Noms (NZ) Ltd (DRP)	1,318,084	0.11
Buttonwood Nominees Pty Ltd	1,127,859	0.09
	1,074,803,241	89.90

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	1,123,400	3

(c) Substantial shareholders

Substantial securityholders, as at 14 July 2022, are set out below:

Name	Number held	Percentage
Abacus Storage Funds Management Limited	112,368,805	9.4%
Vanguard Investments Australia Ltd	62,401,247	5.2%

(d) Voting rights

The voting rights attached to the ordinary fully paid stapled securities is one vote per stapled security.

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.

ANNUAL TAXATION STATEMENT AND TAX GUIDE

The Annual Taxation Statement and Tax Guide are dispatched to securityholders in August 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/.

NSR CALENDAR

AUGUST

Full Year Results and Annual Report released

SEPTEMBER

Distribution paid for the six months ended 30 June
Annual tax statements 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.

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
Steven Leigh
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")

NATIONAL STORAGE