



**NATIONAL STORAGE REIT (NSR)  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**National Storage Holdings Limited ACN 166 572 845  
The Trust Company (RE Services) Limited ACN 003 278 831 AFSL 235 150  
as responsible entity for  
National Storage Property Trust ARSN 101 227 712**

# CONTENTS

CORPORATE INFORMATION .....	3
DIRECTORS REPORT .....	4
AUDITOR'S INDEPENDENCE DECLARATION .....	7
INTERIM STATEMENTS OF COMPREHENSIVE INCOME .....	8
INTERIM STATEMENTS OF FINANCIAL POSITION .....	9
INTERIM STATEMENTS OF CHANGES IN EQUITY .....	10
INTERIM STATEMENTS OF CASH FLOWS .....	12
NOTES TO THE FINANCIAL STATEMENTS .....	13
DIRECTORS DECLARATIONS .....	29
INDEPENDENT AUDITOR'S REVIEW REPORT .....	31

# CORPORATE INFORMATION

National Storage Holdings Limited ACN 166 572 845 ("**NSH**" or the "**Company**")

National Storage Property Trust ARSN 101 227 712 ("**NSPT**")

form the stapled entity National Storage REIT ("**NSR**" or the "**Consolidated Group**")

## **Responsible Entity of NSPT**

The Trust Company (RE Services) Limited ("**The Responsible Entity**"), a wholly owned subsidiary of Perpetual Limited (ASX: PPT)

ACN 003 278 831

AFSL 235 150

Level 12, 123 Pitt Street

Sydney NSW 2000

## **Directors – NSH**

Laurence Brindle

Andrew Catsoulis

Anthony Keane

Howard Brenchley (appointed 21 November 2014)

Steven Leigh (appointed 21 November 2014)

## **Directors – The Responsible Entity**

Andrew Cannane

Christopher Green

Gillian Larkins

## **Alternate Directors – The Responsible Entity**

Anna O'Sullivan (for Andrew Cannane and Christopher Green)

Joanne Hawkins and Glenn Foster (for Gillian Larkins)

## **Company Secretary – NSH**

Patrick Rogers

## **Company Secretaries – The Responsible Entity**

Glenda Charles, Thornton Christensen, Sylvie Dimarco and Joanne Hawkins

## **Registered Office**

Level 1, 10 Felix Street

Brisbane QLD 4000

## **Principal Place of Business**

Level 1, 10 Felix 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) – trading code **NSR**.

## **Auditors**

Ernst & Young

111 Eagle Street

Brisbane QLD 4000

# DIRECTORS' REPORT

The Directors of NSH jointly with the Directors of the Responsible Entity as responsible entity of the NSPT present their report together with the financial statements of NSR which incorporates NSH and its controlled entities ("NSH Group") and NSPT and its controlled entities ("NSPT Group") for the financial half-year ended 31 December 2014 ("Reporting Period").

## DIRECTORS

### National Storage Holdings Limited

The NSH Directors in office during the Reporting Period and continuing as at the date of this Directors' Report are set out below.

Laurence Brindle	Independent Non-Executive Chairman
Andrew Catsoulis	Managing Director
Anthony Keane	Independent Non-Executive Director
Howard Branchley	Independent Non-Executive Director (appointed 21 November 2014)
Steven Leigh	Independent Non-Executive Director (appointed 21 November 2014)

### The Trust Company (RE Services) Limited

The Directors of the Responsible Entity in office during the Reporting Period and continuing as at the date of this Directors Report are set out below.

Andrew Cannane	Director
Christopher Green	Director
Gillian Larkins	Director
Anna O'Sullivan	Alternate Director for Andrew Cannane and alternate Director for Christopher Green
Joanne Hawkins	Alternate Director for Gillian Larkins
Glenn Foster	Alternate Director for Gillian Larkins

## REVIEW AND RESULTS OF OPERATIONS

In December 2013, National Storage REIT was formed as the first independent, internally managed and fully integrated owner and operator of self-storage centres to be listed on the Australian Securities Exchange ("ASX").

National Storage Holdings Limited ("NSH"), a new company, was incorporated as the holding company for National Storage Pty Ltd ("NSPL") as part of the reorganisation to facilitate the Initial Public Offering ("IPO") as per the Prospectus and Product Disclosure Statement dated 19 November 2013 ("the Prospectus"). In order to establish NSR and to facilitate the IPO, units in the NSPT were stapled to shares of NSH. The stapled securities were listed on the ASX on 19 December 2013.

The Financial Statements are prepared in compliance with Australian accounting standards. Users of the financial information should familiarise themselves with the "Corporate Information" and "Basis of Preparation" in Notes 1 and 2 in the Financial Statements.

### Operating results

For the half-year ended 31 December 2014, total revenue increased by 34% to \$28,775,000 (2013: \$21,531,000) through a combination of revenue growth achieved via an increase in storage rents charged and the addition of new revenue streams with the completion of the acquisition of eleven new storage centres. Management fees received in respect to managing the Southern Cross Storage Trust properties were \$873,000 (2013: \$287,000).

Total operating expenses reduced by 12% to \$16,772,000 (2013: \$18,954,000) due to lower financing costs and the reduction of professional fees which were abnormally high during the preceding period as a result of costs

# DIRECTORS' REPORT

incurred during the IPO process. The overall cost savings were achieved after allowing for significant additional costs which were incurred as a result of the eleven new acquisitions.

Net profit after tax of \$15,243,000 (2013: \$7,896,000) was favourably impacted by the impact of fair value adjustments associated with the carrying value of investment properties.

## **Cash Management**

Cash and cash equivalents as at 31 December 2014 were \$9,538,000 (30 June 2014: \$8,264,000). During September and October 2014 a private placement and share purchase plan was undertaken raising \$57,418,000 via the issue of 45,934,564 NSR securities. A further 4,800,000 securities valued at \$7,152,000 were issued during November 2014 as part consideration for the acquisition of Hume, Mitchell, Phillip and Queanbeyan storage centres. An interim distribution of 4.0 cents per security (\$11,825,266) was declared on 19 December 2014 with an estimated payment date of 27 February 2015.

Net operating cashflow for the half-year was \$18,897,000 (2013: \$13,312,000).

The Consolidated Group refinanced its debt facilities during December 2014. The new facilities are on a "Club" arrangement with National Australia Bank, Westpac Banking Corporation and Commonwealth Bank of Australia. The new facilities have increased the Consolidated Group's borrowing capacity to \$200 million and delivered savings in the overall cost of debt. Additional interest rate hedges were entered into during December 2014 to take advantage of the current low interest rate environment.

## **Investments**

During the period the property portfolio expanded following the acquisitions of eight sites: Wangara, Port Adelaide, Hume, Mitchell, Phillip, Queanbeyan, Forrestdale and O'Connor and the completion of three previously announced acquisitions: Mulgrave, Moorabbin and Townsville storage centres.

## **SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE**

NSR announced to the ASX on 18 December 2014 that it had entered into arrangements to acquire a major self-storage portfolio in Melbourne, Victoria. The portfolio comprised of four existing self-storage centres – Glen Iris, Hawthorn, Richmond and South Melbourne. The purchase was completed 21 January 2015 for a purchase price of \$48.8 million funded from NSR's debt facility.

NSR announced to the ASX on 19 December 2014 that it had entered into arrangements for the sale of the Brooklyn property in Melbourne, Victoria. A term sheet has been entered into with a prospective buyer at a sale value of \$7.25 million with final documentation and settlement expected in the first quarter of 2015. NSR will retain operational management of the centre and will enter into a project management, design and development agreement for the redevelopment of the site to incorporate self-storage, hardstand and mini-warehouse facilities. NSR will also retain a right to acquire the development upon completion and letting of the additional development works.

NSR announced to the ASX on 24 December 2014 that it had entered arrangements to acquire a self-storage asset and business park in Dandenong South, Victoria. The asset was purchased for \$15.2 million and funded from NSR's debt facility. The purchase was completed on 23 January 2015.

NSR announced to the ASX on 11 February 2015 that it had entered arrangements to acquire the business and leasehold assets of a self-storage centre in Dee Why, Sydney. The centre will be acquired for \$5.15 million and funded from NSR's debt facility. The purchase is planned for completion late February 2015.

No other matter has arisen since 31 December 2014 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in the future financial periods.

# DIRECTORS' REPORT

## ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available under ASIC Class Order 98/0100. The Consolidated Group is an entity to which the class order applies.

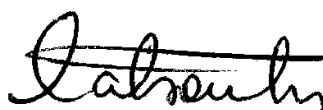
## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

This report is made on 25 February 2015 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.

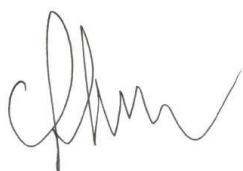


Laurence Brindle  
Chairman  
National Storage Holdings Limited  
Brisbane



Andrew Catsoulis  
Managing Director  
National Storage Holdings Limited  
Brisbane

This report is made on 25 February 2015 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.



Christopher Green  
Director  
The Trust Company (RE Services) Limited  
Sydney

# AUDITOR'S INDEPENDENCE DECLARATION



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

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

## Auditor's Independence Declaration to the Directors of National Storage REIT

In relation to our review of the financial report of National Storage REIT, a stapled entity comprised of National Storage Holdings Limited and National Storage Property Trust, and their related entities for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in black ink that reads 'M J Hayward' in a cursive, stylized script.

Mark Hayward  
Partner  
25 February 2015

# INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

	Note	Consolidated Group		NSPT Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue from storage rent		24,336	18,444	-	-
Rental revenue		377	166	13,008	9,879
Revenue from sale of goods and services		1,424	1,117	-	-
Other revenue		2,638	1,804	132	1,310
<b>Total revenue</b>		<b>28,775</b>	<b>21,531</b>	<b>13,140</b>	<b>11,189</b>
Finance costs		(5,115)	(6,307)	(2,509)	(5,135)
Professional fees		(310)	(3,693)	(52)	(3,306)
Salaries and employee benefits expense		(5,246)	(2,560)	-	-
Management fees - operational		(75)	(1,469)	(75)	(431)
Property rates and taxes		(1,780)	(1,252)	(120)	(2,167)
Repairs and maintenance		(356)	(415)	-	-
Cost of packaging and other products sold		(345)	(282)	-	-
Depreciation and amortisation		(206)	(99)	-	-
Other operational expenses		(3,339)	(2,877)	(1)	(660)
<b>Total operational expenses</b>		<b>(16,772)</b>	<b>(18,954)</b>	<b>(2,757)</b>	<b>(11,699)</b>
Fair value adjustments		3,185	(1,372)	5,127	24,708
Other non-operational expenses		(605)	(22)	(439)	-
Share of profit of a joint venture		523	-	523	-
<b>Profit/(Loss) before income tax</b>		<b>15,106</b>	<b>1,183</b>	<b>15,594</b>	<b>24,198</b>
Income tax (expense)/benefit	13	137	6,713	-	-
<b>Profit/(Loss) after tax</b>		<b>15,243</b>	<b>7,896</b>	<b>15,594</b>	<b>24,198</b>
<b>Profit/(loss) for the year attributable to:</b>					
Members of National Storage Holdings Limited		(351)	(9,990)	15,594	24,198
Non-controlling interest (unit holders of NSPT)		15,594	17,886	-	-
		<b>15,243</b>	<b>7,896</b>	<b>15,594</b>	<b>24,198</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges		(809)	-	(809)	-
<b>Total other comprehensive income</b>		<b>(809)</b>	<b>-</b>	<b>(809)</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>14,434</b>	<b>7,896</b>	<b>14,785</b>	<b>24,198</b>
<b>Comprehensive income for the year attributable to:</b>					
Members of National Storage Holdings Limited		(351)	(9,990)	14,785	24,198
Non-controlling interest (unit holders of NSPT)		14,785	17,886	-	-
		<b>14,434</b>	<b>7,896</b>	<b>14,785</b>	<b>24,198</b>
<b>Basic earnings per stapled security /unit (cents)</b>	5	5.56	7.67	5.69	23.50
<b>Diluted earnings per stapled security / unit (cents)</b>	5	5.56	7.67	5.69	23.50

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes and 31 December 2014 Financial Statements of National Storage Holdings Limited and National Storage Property Trust.



# INTERIM STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Consolidated Group		NSPT Group	
		as at 31 Dec 2014	as at 30 Jun 2014	as at 31 Dec 2014	as at 30 Jun 2014
	s	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents		9,538	8,264	8,104	102
Trade and other receivables		5,934	3,767	17,868	17,642
Inventories		280	258	-	-
Other current assets		2,814	2,359	713	1,053
Property held for sale	6	7,250	-	7,250	-
Total current assets		<b>25,816</b>	<b>14,648</b>	<b>33,935</b>	<b>18,797</b>
<b>Non-current assets</b>					
Trade and other receivables		220	220	-	-
Property, plant and equipment		2,129	1,447	-	-
Investment properties	7	467,000	381,301	390,550	305,250
Investment in joint venture		5,600	5,077	5,600	5,077
Other non-current assets		-	8	-	-
Intangibles	9	13,981	13,896	-	-
Total non-current assets		<b>488,930</b>	<b>401,949</b>	<b>396,150</b>	<b>310,327</b>
<b>Total Assets</b>		<b>514,746</b>	<b>416,597</b>	<b>430,085</b>	<b>329,124</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		7,898	3,326	30,465	15,476
Finance lease liability		8,894	4,330	-	-
Deferred revenue		5,266	4,952	-	-
Provisions		1,110	1,069	-	-
Other liabilities		11,825	9,306	11,825	9,306
Total current liabilities		<b>34,993</b>	<b>22,983</b>	<b>42,290</b>	<b>24,782</b>
<b>Non-current liabilities</b>					
Borrowings	11	111,345	87,460	111,345	87,587
Finance lease liability		56,472	60,619	-	-
Other liabilities	10	1,202	393	1,202	393
Provisions		553	588	-	-
Deferred tax liability		91	227	-	-
Total non-current liabilities		<b>169,663</b>	<b>149,287</b>	<b>112,547</b>	<b>87,980</b>
<b>Total Liabilities</b>		<b>204,656</b>	<b>172,270</b>	<b>154,837</b>	<b>112,762</b>
<b>Net Assets</b>		<b>310,090</b>	<b>244,327</b>	<b>275,248</b>	<b>216,362</b>
<b>EQUITY</b>					
Non-controlling interest (unit holders of NSPT)		282,253	223,368	-	-
Contributed equity	12	24,987	17,758	247,424	191,499
Other Reserves		-	-	(1,202)	(393)
Retained earnings		2,850	3,201	29,026	25,256
Total Equity		<b>310,090</b>	<b>244,327</b>	<b>275,248</b>	<b>216,362</b>

The above Statements of Financial Position should be read in conjunction with the accompanying notes and 31 December 2014 Financial Statements of National Storage Holdings Limited and National Storage Property Trust.

# INTERIM STATEMENTS OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

## Attributable to securityholders of the National Storage REIT

	Contributed equity \$'000	Retained earnings / (Accumulated losses) \$'000	Non- controlling interest \$'000	Total \$'000
<b>Balance at 1 July 2014</b>	<b>17,758</b>	<b>3,201</b>	<b>223,368</b>	<b>244,327</b>
(Loss)/profit for the period	-	(351)	15,594	15,243
Other comprehensive income	-	-	(809)	(809)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(351)</b>	<b>14,785</b>	<b>14,434</b>
Issue of stapled securities through institutional placement	5,255	-	40,663	45,918
Issue of stapled securities through share purchase plan	1,316	-	10,184	11,500
Issue of stapled securities as part of property acquisition	819	-	6,333	7,152
Costs associated with issue of securities	(161)	-	(1,255)	(1,416)
Dividends/distributions provided for or paid	-	-	(11,825)	(11,825)
<b>Balance at 31 December 2014</b>	<b>24,987</b>	<b>2,850</b>	<b>282,253</b>	<b>310,090</b>
<b>Balance at 1 July 2013</b>	<b>2,800</b>	<b>25,921</b>	<b>-</b>	<b>28,721</b>
(Loss)/profit for the period	-	(9,990)	17,886	7,896
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(9,990)</b>	<b>17,886</b>	<b>7,896</b>
Vendor issue	(1,047)	-	(2,800)	(3,847)
Equity uplift upon stapling	-	-	98,203	98,203
Issue of stapled units in public offering	16,860	-	106,944	123,804
Costs associated with public offering	(1,189)	-	(5,344)	(6,533)
Contingent consideration	334	-	3,749	4,083
Dividends/distributions provided for or paid	-	(5,598)	-	(5,598)
<b>Balance at 31 December 2013</b>	<b>17,758</b>	<b>10,333</b>	<b>218,638</b>	<b>246,729</b>

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes and 31 December 2014 Financial Statements of National Storage Holdings Limited and National Storage Property Trust.

# INTERIM STATEMENTS OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

## Attributable to unitholders of the NSPT Group

	Contributed equity \$'000	Retained earnings / (Accumulated losses) \$'000	Other reserve \$'000	Total \$'000
<b>Balance at 1 July 2014</b>	<b>191,499</b>	<b>25,256</b>	<b>(393)</b>	<b>216,362</b>
Profit for the period	-	15,594	-	15,594
Other comprehensive income	-	-	(809)	(809)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>15,594</b>	<b>(1,202)</b>	<b>14,785</b>
Issue of stapled units through institutional placement	40,663	-	-	40,663
Issue of stapled units through share purchase plan	10,184	-	-	10,184
Issue of stapled units as part of property acquisition	6,333	-	-	6,333
Costs associated with issue of units	(1,255)	-	-	(1,255)
Distributions provided for or paid	-	(11,825)	-	(11,825)
<b>Balance at 31 December 2014</b>	<b>247,424</b>	<b>29,025</b>	<b>(1,202)</b>	<b>275,247</b>
<b>Balance at 1 July 2013</b>	<b>89,322</b>	<b>(500)</b>	<b>-</b>	<b>88,822</b>
Profit for the period	-	24,198	-	24,198
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>24,198</b>	<b>-</b>	<b>24,198</b>
Vendor payments	(2,800)	-	-	(2,800)
Issue of units in public offering	106,944	-	-	106,944
Costs associated with public offering	(5,344)	-	-	(5,344)
Contingent consideration	3,749	-	-	3,749
Distributions provided for or paid	-	(3,938)	-	(3,938)
<b>Balance at 31 December 2013</b>	<b>191,871</b>	<b>19,760</b>	<b>-</b>	<b>211,631</b>

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes and 31 December 2014 Financial Statements of National Storage Holdings Limited and National Storage Property Trust.

# INTERIM STATEMENTS OF CASH FLOWS

For the half-year ended 31 December 2014

	Consolidated Group		NSPT Group	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>				
Receipts from customers	29,076	24,230	19,576	10,958
Payments to suppliers and employees	(10,246)	(11,050)	(334)	(1,221)
Interest received	67	132	2	49
<b>Net cash flows from operating activities</b>	<b>18,897</b>	<b>13,312</b>	<b>19,244</b>	<b>9,786</b>
<b>Investing activities</b>				
Purchase of investment properties – leasehold	-	(2,800)	-	(2,800)
Purchase of investment properties – freehold	(80,792)	(40,150)	(80,792)	(40,150)
Purchase of property, plant and equipment	(989)	(533)	-	-
Acquisition of subsidiary, net of cash acquired	-	(5,828)	-	-
Investment in joint venture	-	(4,750)	-	(4,750)
<b>Net cash flows used in investing activities</b>	<b>(81,781)</b>	<b>(54,061)</b>	<b>(80,792)</b>	<b>(47,700)</b>
<b>Financing activities</b>				
Proceeds from issue of stapled securities	57,429	123,804	50,846	106,944
Transaction costs on issue of stapled securities	(1,427)	(6,533)	(1,255)	(5,344)
Dividends/distributions paid to owners	(8,337)	(2,077)	(8,337)	(5,619)
Repayment of borrowings	(44,000)	(109,590)	(44,000)	(109,590)
Proceeds from borrowings	67,834	50,000	67,834	50,000
Proceeds from associated entities	-	-	7,366	-
Payment of lease principal	(1,964)	(7,635)	-	-
Interest paid - lease	(2,602)	(6,061)	-	-
Interest paid - other	(2,775)	(246)	(2,904)	(5,135)
<b>Net cash flows from financing activities</b>	<b>64,158</b>	<b>41,662</b>	<b>69,550</b>	<b>31,256</b>
Net increase/(decrease) in cash and cash equivalents	1,274	913	8,002	(6,658)
Cash and cash equivalents at 1 July	8,264	382	102	6,710
<b>Cash and cash equivalents at 31 December</b>	<b>9,538</b>	<b>1,295</b>	<b>8,104</b>	<b>52</b>

The above Statements of Cash Flows should be read in conjunction with the accompanying notes and 31 December 2014 Financial Statements of National Storage Holdings Limited and National Storage Property Trust.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate information

National Storage REIT ("the Consolidated Group" or "NSR") was established in December 2013 for the purpose of establishing 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").

NSH was incorporated as the holding company for National Storage Pty Ltd ("NSPL") as part of the reorganisation to facilitate the Initial Public Offering ("IPO") as per the Prospectus and Product Disclosure Statement dated 19 November 2013 ("the Prospectus"). In order to establish NSR and to facilitate the IPO, units in the NSPT (formerly APN National Storage Property Trust) were stapled to shares of NSH. The stapled securities were listed on the ASX on 19 December 2013.

For financial reporting purposes, NSH is seen as a continuation of the NSPL entity and the accounting policies for NSPL continue to apply to NSH and the Consolidated Group. The comparative period in this report is the half-year ended 31 December 2013 for NSPL and its then consolidated group.

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 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 either entity terminates the stapling arrangements.

The financial report of NSR for the half-year ended 31 December 2014 was approved on 25 February 2015, in accordance with a resolution of the Board of Directors of National Storage Holdings Limited.

The financial report of NSPT for the half-year ended 31 December 2014 was approved on 25 February 2015, in accordance with a resolution of the Board of Directors of the Trust Company (RE Services) Limited as the responsible entity for NSPT.

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

## 2. Basis of preparation and changes to the Consolidated Group's accounting policies

### Basis of preparation

This Interim Financial Report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The Interim Financial Report of NSR as at and for the half-year ended 31 December 2014 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

The interim consolidated financial statements of NSPT as at and for the half-year ended 31 December 2014 comprises the consolidated Interim Financial Statements of NSPT Group.

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

In some circumstances the categorisation of prior year comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

The accounting policies applied by NSH Group and the NSPT Group in these Interim Financial Reports are the same as the 30 June 2014 financial report for NSH and NSPT except for the accounting policies impacted by the new or amended Accounting Standards detailed below.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by the Consolidated Group during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

These financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Consolidated Group has elected to utilise CO 05/642 and present NSPT within the financial statements of NSR.

For the purposes of proper interpretation of the financial results, the self-storage industry is not regarded as seasonal.

## **Deficiency of Net Current Assets**

As at 31 December 2014, the Consolidated Group has an excess of current liabilities over current assets of \$9,177,000. The financial report has been prepared on a going concern basis as the Directors believe the Consolidated Group will continue to generate operating cash flows to meet liability obligations.

Current liabilities include deferred revenue of \$5,266,000 associated with prepaid storage rentals. Also, accounting standard AASB 140 *Investment Property* requires the finance lease liability to be split between current and non-current. While the corresponding asset is all non-current, the net impact on the Consolidated Group is a deficiency of net current assets. The Directors believe the excess of the total investment property over the finance lease liability reflects the positive position in both the immediate and long-term and sufficient cash inflows from operations will occur to enable the liabilities to be paid as and when due.

On this basis, the Directors of NSH believe the deficiency of the net current assets does not impact the underlying going concern assumption applied in preparing these financial statements.

The deficiency in net current assets in NSPT Group is largely attributable to loans owing to NSH and its controlled entities. The directors of NSH have confirmed that these loans will not be called unless there are sufficient assets with which to settle any such call. Taking this into consideration and the expected future cashflows for the NSPT Group, sufficient cash inflows from operations are expected to occur to enable liabilities to be paid as and when due. On this basis, the Directors of the Responsible Entity believe the deficiency of the net current assets does not impact the underlying going concern assumption applied in preparing the financial statements for NSPT.

## **Changes in accounting policy, accounting standards and interpretations**

The Consolidated Group and NSPT Group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and effective for the current half-year.

The adoption of new and revised standards did not result in any material changes to the half-year report.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Group. The Consolidated Group does not believe that there will be a material financial impact to either the statement of comprehensive income or the statement of financial position once these accounting standards are adopted, with exception to IFRS 15 which the Consolidated Group is currently evaluating.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Segment information

The Consolidated Group has identified its operating segments based on the internal reporting that is reviewed and used by the Consolidated Group's chief decision makers, being the Executive Management and Directors of NSH.

The Consolidated Group operates wholly within one business and geographic segment being the operation and management of storage centres in Australia.

The operating results presented in the Statements of Comprehensive Income represent the same segment information as reported to the Directors of NSH.

The Consolidated Group does not have any customers which represent greater than 10% of total revenue.

## 4. Business combinations

### *Stapling of National Storage Holdings Limited & APN National Storage Property Trust*

On 19 December 2013, the shares in NSH and the units in NSPT were stapled pursuant to a stapling deed. Under AASB 3, it was deemed that NSH gained control over NSPT by way of stapling with no ownership.

#### **Assets acquired and liabilities assumed**

The fair values of the identifiable assets and liabilities of NSPT as at the date of acquisition were:

	<b>Fair value recognised on acquisition \$'000</b>
<b>Assets</b>	
Cash at Bank	50
Prepayments	137
Investment properties - freehold	203,003
	<b>203,190</b>
<b>Liabilities</b>	
Trade and other payables	(2,502)
Bank Loan	(109,490)
	<b>(111,992)</b>
<b>Total identifiable net assets at fair value</b>	<b>91,198</b>
Non-controlling interests measured at fair value	(98,203)
Goodwill arising on acquisition	7,005
<b>Purchase consideration transferred</b>	<b>-</b>

The Consolidated Group has measured the non-controlling interest at fair value with reference to the underlying assets and liabilities of the balance sheet on the date of acquisition. The major component of assets is investment properties which were subject to a Directors' valuation at 19 December 2013. The bank loan was recognised at fair market value at acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

## *Acquisition of Strategic Storage Consulting Pty Ltd*

On 19 December 2013, the Consolidated Group acquired 100% of shares of Strategic Storage Consulting Pty Ltd.

### **Assets acquired and liabilities assumed**

The fair values of the identifiable assets and liabilities of Strategic Storage Consulting Pty Ltd as at the date of acquisition were:

	<b>Fair value recognised on acquisition \$'000</b>
<b>Assets</b>	
Plant and equipment	282
Other receivables	2,284
	<b>2,566</b>
<b>Liabilities</b>	
Other payables	(3,122)
	<b>(3,122)</b>
<b>Total identifiable net assets at fair value</b>	<b>(556)</b>
Goodwill arising on acquisition	6,384
<b>Purchase consideration transferred</b>	<b>5,828</b>
<b>Analysis of cash flows on acquisition</b>	
Cash paid	5,828
Transaction costs of the acquisition (included in cash flows from operating activities)	33
<b>Net cash outflow on acquisition</b>	<b>5,861</b>

None of the trade debtors were impaired and all were collected in full.

The goodwill of \$6,384,000 comprises the intangible assets associated with the business, including but not limited to reputation and operational procedures.



# NOTES TO THE FINANCIAL STATEMENTS

## Acquisition of NS APAC Trust

On 19 December 2013, the NSPT acquired NS APAC Trust.

### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of NS APAC Trust as at the date of acquisition were:

	Fair value recognised on acquisition \$'000
<b>Assets</b>	
Investment in associate (10% interest in Southern Cross Storage Group)	4,750
	<b>4,750</b>
<b>Total identifiable net assets at fair value</b>	<b>4,750</b>
Goodwill arising on acquisition	-
<b>Purchase consideration transferred</b>	<b>4,750</b>
<b>Analysis of cash flows on acquisition</b>	
Cash paid	4,750
Transaction costs allocated to the acquisition (included in cash flows from operating activities)	25
<b>Net cash outflow on acquisition</b>	<b>4,775</b>

There was no goodwill arising on acquisition.

The above acquisition accounts for revenue and net profit/(loss) after tax of \$31,000 for the Consolidated Group and NSPT Group in the reporting period ended 31 December 2013. Annualised this would be approximately \$754,000.

## 5. Earnings per stapled security

	31 Dec 2014 cents	31 Dec 2013 cents
<b>Attributable to securityholders of the National Storage REIT</b>		
Basic and diluted earnings per stapled security	5.56	7.67
<b>Reconciliation of earnings used in calculating earnings per stapled security</b>		
<i>Basic and diluted earnings per security</i>	<b>\$'000</b>	<b>\$'000</b>
Net profit attributable to members of National Storage REIT	15,243	7,896
<b>Weighted average number of securities:</b>	<b>No. of securities</b>	<b>No. of securities</b>
Weighted average number of securities for basic and diluted earnings per stapled security	274,247,545	102,960,206

# NOTES TO THE FINANCIAL STATEMENTS

	31 Dec 2014 cents	31 Dec 2013 cents
<b>Attributable to unitholders of the NSPT Group</b>		
Basic and diluted earnings per stapled unit	5.69	23.50
<b>Reconciliation of earnings used in calculating earnings per stapled unit</b>		
<i>Basic and diluted earnings per stapled unit</i>	<b>\$'000</b>	<b>\$'000</b>
Net profit attributable to members of the NSPT Group	15,594	24,198
<b>Weighted average number of stapled units:</b>	<b>No. of securities</b>	<b>No. of securities</b>
Weighted average number of stapled units for basic and diluted earnings per stapled unit	274,247,545	102,960,206

## 6. Property held for sale

NSR announced to the ASX on 19 December 2014 that it had entered into arrangements for the sale of National Storage Brooklyn in Melbourne at a sale value of \$7.25 million. At 31 December 2014 the Brooklyn property was classified as property held for sale.

NSR classifies property held for sale as a current asset as the benefit is expected to be realised in the ensuing 12 month period. The carrying value of property held for sale is at the proposed sale value and excludes costs of sale.

## 7. Investment properties

	<b>Consolidated Group</b>		<b>NSPT Group</b>	
	as at 31 Dec 2014 \$'000	as at 30 Jun 2014 \$'000	as at 31 Dec 2014 \$'000	as at 30 Jun 2014 \$'000
<b>Investment properties at valuation</b>				
Leasehold investment properties	76,450	76,051	-	-
Freehold investment properties	390,550	305,250	390,550	305,250
	<u>467,000</u>	<u>381,301</u>	<u>390,550</u>	<u>305,250</u>
<b>Leasehold properties</b>				
Opening balance	76,051	201,328	-	-
Elimination through stapling	-	(95,403)	-	-
Fair value adjustment arising on stapling	-	(20,515)	-	-
Change in fair value of investment properties	382	(9,359)	-	-
Building improvements of investment properties	17	-	-	-
Property acquisitions	-	-	-	-
Closing balance	<u>76,450</u>	<u>76,051</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## Freehold properties

Opening balance	305,250	-	305,250	198,810
Acquired through stapling	-	203,003	-	-
Fair value adjustment arising on stapling	-	20,515	-	20,515
Change in fair value of investment properties	4,563	7,052	4,563	11,626
Building improvements of Investment properties	187	524	187	143
Property acquisitions	87,800	74,156	87,800	74,156
Transfer to Property held for sale	(7,250)	-	(7,250)	-
Closing balance	390,550	305,250	390,550	305,250

## 8. Non-financial assets fair value measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated Group</b>				
<b>At 31 December 2014</b>				
<i>Investment Properties</i>				
Leasehold	-	-	76,450	76,450
Freehold	-	-	390,550	390,550
	-	-	467,000	467,000
<b>NSPT Group</b>				
<b>At 31 December 2014</b>				
<i>Investment Properties</i>				
Leasehold	-	-	-	-
Freehold	-	-	390,550	390,550
	-	-	390,550	390,550

## Recognised fair value measurements

The Consolidated Group's and the NSPT Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half-year. There were no transfers in and out of Level 3.

## 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. They are carried at fair value. Changes in fair values are presented in profit or loss as fair value adjustments.

Investment properties are carried at fair value as determined by a combination of independent valuations and Director valuations. The independent valuations are performed by m3property, an accredited independent valuer. The Directors review and discuss the valuations with the CFO of NSH Group. The Director valuations are completed by NSH Group Board on behalf of the Responsible Entity for Freehold Properties. The valuations are determined using the same techniques and similar estimates to those used by the independent valuer. Investment properties are independently valued on a staggered basis every 3 years unless the underlying financing requires a more frequent valuation cycle. For properties subject to an independent valuation report the finance department of NSH verifies all major inputs to the valuation and reviews the results with the independent valuer.

# NOTES TO THE FINANCIAL STATEMENTS

The table below details the percentage of the number of investment properties subject to internal and external valuations as at 31 December 2014:

	Consolidated Group		NSPT Group	
	External valuation	Internal valuation	External valuation	Internal valuation
	%	%	%	%
Leasehold	8%	92%	-	-
Freehold	31%	69%	31%	69%

The table below details the percentage of the number of investment properties subject to internal and external valuations during the comparable reporting period as at 30 June 2014:

	Consolidated Group		NSPT Group	
	External valuation	Internal valuation	External valuation	Internal valuation
	%	%	%	%
Leasehold	10%	90%	-	-
Freehold	19%	81%	19%	81%

## Valuation inputs and relationship to fair value

The tables and narrative below provide information on the significant unobservable inputs in Level 3 valuations. In the tables below freehold applies to both the Consolidated Group and NSPT Group. Leasehold applies to only the NSH Group as the NSPT Group does not have any leasehold investment properties.

The following table presents the significant unobservable inputs in level 3 valuations at 31 December 2014:

Description	Valuation technique	Significant unobservable inputs		Range
Investment properties - leasehold	Capitalisation method	Capitalisation rate	Primary	11% to 35%
			Secondary	11% to 30%
		Sustainable occupancy		75% to 96%
		Stabilised average EBIT		\$501,018
Investment properties - freehold	Capitalisation method	Capitalisation rate	Primary	9% to 11%
			Secondary	9% to 20%
		Sustainable occupancy		75% to 93%
		Stabilised average EBIT		\$996,469

The following table presents the significant unobservable inputs in level 3 valuations at 30 June 2014:

Description	Valuation technique	Significant unobservable inputs		Range
Investment properties - leasehold	Capitalisation method	Capitalisation rate	Primary	10% to 40%
			Secondary	11% to 50%
		Sustainable occupancy		75% to 93%
		Stabilised average EBIT		\$405,038
Investment properties - freehold	Capitalisation method	Capitalisation rate	Primary	9% to 11.6%
			Secondary	9.8% to 13.8%
		Sustainable occupancy		65% to 94.5%
		Stabilised average EBIT		\$980,526

Under the income capitalisation method, a property's fair value is estimated based on the stabilised average earnings before interest and tax (EBIT) generated by the property, which is divided by the capitalisation rate (the investor's required rate of return). The capitalisation rate is derived from recent sales of similar properties. The capitalisation rate adopted reflects the inherent risk associated with the property.

# NOTES TO THE FINANCIAL STATEMENTS

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 stabilised average EBIT is derived from a property's revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, forecast non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. Generally, an increase in stabilised average EBIT will result in an increase in fair value of an investment property. An increase in the vacancy rate will result in a reduction of the stabilised average EBIT.

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 following table presents the sensitivity analysis of fair value at 31 December 2014:

Unobservable inputs		Leasehold		Freehold	
		Increase/(decrease) in input	Increase/(decrease) In fair value \$'000	Increase/(decrease) in input	Increase/(decrease) in fair value \$'000
Capitalisation rate	Primary	1% / (1%)	(549) / 555	1% / (1%)	(25,543) / 32,001
	Secondary	2% / (2%)	(141) / 251	2% / (2%)	(8,522) / 12,310
Sustainable occupancy		5% / (5%)	1,830 / (1,730)	5% / (5%)	20,940 / (20,840)
Stabilised average EBIT		5% / (5%)	767 / (666)	5% / (5%)	16,045 / (16,145)

The following table presents the sensitivity analysis of fair value at 30 June 2014:

Unobservable inputs		Leasehold		Freehold	
		Increase/(decrease) in input	Increase/(decrease) In fair value \$'000	Increase/(decrease) in input	Increase/(decrease) in fair value \$'000
Capitalisation rate	Primary	1% / (1%)	(360) / 770	1% / (1%)	(22,330) / 27,460
	Secondary	2% / (2%)	(200) / 500	2% / (2%)	(6,210) / 8,670
Sustainable occupancy		5% / (5%)	1,540 / (1,330)	5% / (5%)	12,250 / (12,650)
Stabilised average EBIT		5% / (5%)	760 / (450)	5% / (5%)	11,180 / (11,490)

## 9. Intangibles

	Consolidated Group		NSPT Group	
	as at 31 Dec 2014 \$'000	as at 30 Jun 2014 \$'000	as at 31 Dec 2014 \$'000	as at 30 Jun 2014 \$'000
Goodwill	13,542	13,542	-	-
Other	439	354	-	-
	<u>13,981</u>	<u>13,896</u>	<u>-</u>	<u>-</u>

Goodwill is an asset acquired through business combinations; these acquisitions include the purchase of Strategic Storage Consulting Pty Ltd and the stapling of the shares in NSH and the units in NSPT.

### Impairment testing of goodwill

Goodwill arising on stapling and on acquisition of entity (Strategic Storage Consulting Pty Ltd (SSC)), have been allocated to the listed company NSR. Management have determined that the listed group is the appropriate cash generating unit against which to allocate these intangible assets. The goodwill arising on stapling is allocated to the listed group (NSR) owing to the synergies arising from combining the portfolios of the NSH Group and the NSPT Group.

# NOTES TO THE FINANCIAL STATEMENTS

The goodwill arising on the acquisition of SSC is allocated to the listed group owing to the transfer of the management functions and associated revenues and expenses of this entity to the Consolidated Group. SSC no longer generates its own cash but provides a service to the listed 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. As at 31 December 2014 NSR had 295,631,660 stapled securities quoted on the Australian Securities Exchange (ASX) at \$1.45 per security providing a market capitalisation of \$428,665,910. This amount is in excess of the carrying amount of the Consolidated Group's net assets. Had the security price decreased by 10% the market capitalisation would still be in excess of the carrying amount.

## 10. 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 that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value financial instruments are classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated Group</b>				
<b>At 31 December 2014</b>				
<i>Financial assets</i>				
Derivative - contingent consideration	-	-	631	631
Total financial assets	-	-	631	631

### *Financial liabilities*

Derivative used for hedging - Interest rate swap	-	1,202	-	1,202
Total financial liabilities	-	1,202	-	1,202

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>NSPT Group</b>				
<b>At 31 December 2014</b>				
<i>Financial assets</i>				
Derivative - contingent consideration	-	-	594	594
Total financial assets	-	-	594	594

### *Financial liabilities*

Derivative used for hedging - Interest rate swap	-	1,202	-	1,202
Total financial liabilities	-	1,202	-	1,202

There were no transfers between levels of fair value hierarchy during the half-year ended 31 December 2014.

The policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for any financial assets held is the current bid price. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## *Valuation techniques used to determine fair values*

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.
- The fair value of the derivative contingent consideration is calculated using a discounted cash flow analysis using expected future cash flows of the Consolidated Group.

The resulting fair value estimates for interest rate swaps are included in Level 2. The fair value estimates for the derivative contingent consideration is included in level 3 where the fair value has been determined based on present values and the discount rate used was adjusted for counterparty or own credit risk.

## *Fair value measurements using significant unobservable inputs (Level 3)*

The following table presents changes in level 3 for the half-year ended 31 December 2014.

	<b>Contingent consideration</b>	
	<b>Consolidated</b>	<b>NSPT</b>
	<b>Group</b>	<b>Group</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance 1 July 2014	1,097	1,007
Distribution receivable (clawback)	(1,020)	(904)
Derivative - contingent consideration recognised in profit or loss in fair value adjustments	554	491
Closing balance 31 December 2014	631	594

## **Derivative financial asset – contingent consideration**

As part of the purchase agreement with the previous owners of NSPL, a distribution clawback was entered into.

The fair value of the contingent consideration has been determined using a discounted cash flow analysis using expected future cash flows of the Consolidated Group. The valuation requires management of NSH to make certain assumptions about unobservable inputs to the model including a discount rate of 8.5% and initial stapled net profit after tax per the financial statements of \$14,434,000. A 2% change in the discount rate would not have any material effect on the fair value. An increase of 2% in the stapled net profit after tax would decrease fair value by \$225,601. A decrease of 2% in the stapled net profit after tax would increase fair value by \$216,259.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Borrowings

	Consolidated Group		NSPT Group	
	as at 31 Dec 2014 \$'000	as at 30 Jun 2014 \$'000	as at 31 Dec 2014 \$'000	as at 30 Jun 2014 \$'000
<b>Non-current borrowings</b>				
Bank finance facility	111,750	87,916	111,750	87,916
Non-amortised borrowing costs	(405)	(456)	(405)	(329)
<b>Total non-current borrowings</b>	<b>111,345</b>	<b>87,460</b>	<b>111,345</b>	<b>87,587</b>

The Consolidated Group refinanced its debt facilities during December 2014. The facilities in place as of 31 December 2014 are on a "Club" arrangement with National Australia Bank, Westpac Banking Corporation and Commonwealth Bank of Australia. The major terms of these agreements are as follows:

- The facility limit is \$200 million.
- The facility is an interest only facility with any drawn balance payable at maturity
- The facility contains the following Tranches.

Tranche	Limit \$'000	Drawn \$'000	Undrawn \$'000	Term	Maturity Date
1	20,000	0	20,000	1.5 Years	23 Jun 2016
2	140,000	71,750	68,250	3.0 Years	22 Dec 2017
3	40,000	40,000	0	5.0 Years	23 Dec 2019
<b>Total</b>	<b>200,000</b>	<b>111,750</b>	<b>88,250</b>		

- The interest rate being BBSY plus a margin depending on the gearing ratio.
- Security has been granted over the Consolidated Group's owned and leased storage centre properties.

The Consolidated Group has a bank overdraft facility with a limit of \$3 million that was undrawn at balance date.

The fair value of borrowings approximates carrying value.

### Interest Rate Swaps

The Consolidated Group has the following interest rate hedges in place.

Swap	Amount \$'000	Fixed Rate	Floating Rate*	Effective Date	Term	Maturity Date
1	30,000	3.420%	BBSW + .05%	23 Mar 2014	2.75 Years	23 Dec 2016
2	40,000	2.490%	BBSW	23 Dec 2014	3.0 Years	22 Dec 2017
3	40,000	2.765%	BBSW	23 Dec 2014	5.0 Years	23 Dec 2019
<b>Total</b>	<b>110,000</b>					

\* - BBSW – Bank Bill Swap Rate



# NOTES TO THE FINANCIAL STATEMENTS

## 12. Contributed equity

### (a) Issued and Paid Up Capital

	Consolidated Group		NSPT	
	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000
Ordinary shares	24,987	17,758	-	-
Units	-	-	247,424	191,499
	24,987	17,758	247,424	191,499

### (b) Number of Stapled Securities on Issue

	Consolidated Group		NSPT	
	As at 31 Dec 2014 No. of shares	As at 30 Jun 2014 No. of shares	As at 31 Dec 2014 No. of units	As at 30 Jun 2014 No. of units
<b>Opening balance</b>				
A Class ordinary shares	-	1,000	-	-
Ordinary shares	244,897,096	1,000	-	-
Units	-	-	244,897,096	93,055,632
Share split	-	93,055,632	-	-
Public offering	-	126,329,260	-	126,329,260
Vendor issue	-	25,510,204	-	25,510,204
Institutional placement	36,734,564	-	36,734,564	-
Share purchase plan	9,200,000	-	9,200,000	-
Property acquisition	4,800,000	-	4,800,000	-
<b>Closing balance</b>	295,631,660	244,897,096	295,631,660	244,897,096

### (c) Terms and Conditions of Contributed Equity

#### *Stapled securities*

Stapled securities have the right to receive declared dividends from NSH and distributions from the NSPT and, in the event of winding up NSH and NSPT, 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.

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 (as the case may be). The stapled securities have no par value.

#### *Units*

Each unit represents a right to an individual share in the NSPT per the Constitution. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the NSPT.

## 13. Income tax

# NOTES TO THE FINANCIAL STATEMENTS

The NSH Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Under current tax legislation, NSPT is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unit holders.

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

For the six months ended 31 December	Consolidated Group	
	2014 \$'000	2013 \$'000
Current income tax expense/(benefit)	-	-
Deferred income tax expense/(benefit) related to origination and reversal of deferred taxes	(137)	(6,713)
Income tax expense/(benefit) recognised in the statement of comprehensive income	(137)	(6,713)

## 14. Related party transactions

### Transaction with Related Parties – Consolidated Group

		Revenue from related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
		\$	\$	\$	\$
Southern Cross Storage Operations Pty Ltd	Current period	-	-	-	2,081,086
	Comparative period	-	-	-	3,473,580
Southern Cross Storage Trust	Current period	-	-	251,498	40,000
	Comparative period	-	-	-	-
APN Funds Management Limited	Current period	-	-	-	-
	Comparative period	-	2,428,000	-	-
Strategic Storage Consulting Pty Ltd	Current period	-	-	-	-
	Comparative period	-	1,431,000	-	-
The Trust Company (RE Services) Limited and its associates	Current period	-	217,460	-	-
	Comparative period	-	105,000	-	-
Australian Storage Developments Pty Ltd	Current period	-	-	-	3,592
	Comparative period	-	-	-	5,794

# NOTES TO THE FINANCIAL STATEMENTS

## Transaction with Related Parties – NSPT

		Revenue from related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
		\$	\$	\$	\$
National Storage Holdings Limited	Current period	-	-	100,182,289	40,170,945
	Comparative period	-	-	30,441,521	-
Southern Cross Storage Trust	Current period	-	-	-	40,000
	Comparative period	-	-	-	-
National Storage (Operations Limited)	Current period	12,953,798	-	-	87,335,849
	Comparative period	20,431,395	1,284,814	-	40,192,889
APN Funds Management Limited	Current period	-	-	-	-
	Comparative period	-	2,423,104	-	-
The Trust Company (RE Services) Limited and its associates	Current period	-	217,460	-	-
	Comparative period	-	143,441	-	-

## 15. Events after reporting period

NSR announced to the ASX on 18 December 2014 that it had entered into arrangements to acquire a major self-storage portfolio in Melbourne, Victoria. The portfolio is comprised of four existing self-storage centres – Glen Iris, Hawthorn, Richmond and South Melbourne. The purchase was completed 21 January 2015 for a purchase price of \$48.8 million funded from NSR's debt facility.

NSR announced to the ASX on 19 December 2014 that it had entered into arrangements for the sale of National Storage Brooklyn in Melbourne, Victoria. A term sheet has been entered into with a prospective buyer at a sale value of \$7.25 million with final documentation and settlement expected in the first quarter of 2015. NSR will retain operational management of the centre and will enter into a project management, design and development agreement for the redevelopment of the site to incorporate self-storage, hardstand and mini-warehouse facilities. NSR will also retain a right to acquire the development upon completion and letting of the additional development works.

NSR announced to the ASX on 24 December 2014 that it had entered arrangements to acquire a self-storage asset and business park in Dandenong South, Victoria. The asset was purchased for \$15.2 million and funded from NSR's debt facility. The purchase was completed on 23 January 2015.

# NOTES TO THE FINANCIAL STATEMENTS

NSR announced to the ASX on 11 February 2015 that it had entered arrangements to acquire the business and leasehold assets of a self-storage centre in Dee Why, Sydney. The centre will be acquired for \$5.15 million and funded from NSR's debt facility. The purchase is planned for completion late February 2015.

No other matter has arisen since 31 December 2014 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in the future financial periods.

## 16. Dividends/distributions paid and proposed

On 26 August 2014 NPST paid a distribution of 3.8 cents per security (\$9,306,090). This distribution was declared and announced to the ASX on 24 June 2014.

NSR announced to the ASX on 19 December 2014 that NSPT will make a distribution of 4.0 cents per Stapled Security (\$11,825,266) for the 6 months to 31 December 2014. The distribution is expected to be paid on 27 February 2015 and is expected to contain a tax deferred component.

## 17. Commitments and contingencies

There has been no significant change to commitments during the reporting period.

There are no contingent assets or liabilities for the NSH Group or the NSPT Group other than the contingent consideration described in Note 10.

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of National Storage Holdings Limited, the Directors state that:

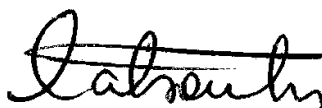
In the opinion of the Directors:

- (a) the financial statements and notes of the NSH Group for the half-year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  - b. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the NSH Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Laurence Brindle  
Chairman



Andrew Catsoulis  
Managing Director

25 February 2015  
Brisbane

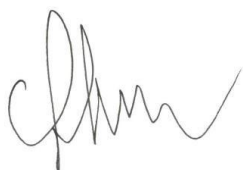
## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity states that:

In the opinion of the Responsible Entity:

- (a) the financial statements and notes of the NSPT Group for the half-year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the NSPT Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  - b. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that the NSPT Group will be able to pay its debts as and when they become due and payable.

On behalf of the Responsible Entity



Christopher Green  
Director

25 February 2015  
Sydney

# INDEPENDENT AUDITOR'S REVIEW REPORT



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

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

To the members of National Storage REIT

## Report on the half-year Financial Report

We have reviewed the accompanying half-year financial report of National Storage REIT comprising National Storage Holdings Limited and National Storage Property Trust and the entities they controlled during the half-year which comprises the interim statements of financial position as at 31 December 2014, interim statements of comprehensive income, the interim statements of changes in equity and the interim statements of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declarations of National Storage Holdings Limited and National Storage Property Trust and the entities they controlled at the half-year end or from time to time during the half-year.

## Directors' Responsibility for the half-year Financial Report

The directors of National Storage Holdings Limited and the Directors of the Responsible Entity of National Storage Property Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entities' financial position as at 31 December 2014 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of National Storage REIT and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# INDEPENDENT AUDITOR'S REVIEW REPORT



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of National Storage REIT comprising National Storage Holdings Limited and National Storage Property Trust and the entities they controlled is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'Ernst &amp; Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'M J Hayward' in black ink.

Mark Hayward  
Partner  
Brisbane  
25 February 2015