



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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

**National Storage Holdings Limited ACN 166 572 845
National Storage Financial Services Limited ACN 600 787 246 AFSL 475 228
as responsible entity for
National Storage Property Trust ARSN 101 227 712**

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CORPORATE INFORMATION

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

Responsible Entity of NSPT

National Storage Financial Services Limited ("**the Responsible Entity**"), a wholly owned subsidiary of National Storage Holdings Limited
ACN 600 787 246
AFSL 475 228
Level 16, 1 Eagle Street
Brisbane QLD 4000

Directors – NSH

Laurence Brindle (Chairman)
Andrew Catsoulis
Anthony Keane
Howard Brenchley
Steven Leigh
Claire Fidler

Directors – the Responsible Entity

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

Company Secretary – NSH

Claire Fidler and Patrick Rogers

Company Secretary – the Responsible Entity

Claire Fidler and Patrick Rogers

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**") – trading code **ASX:NSR**.

Auditor

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

DIRECTORS' REPORT

The Directors of NSH jointly with the Directors of National Storage Financial Services Limited as Responsible Entity of 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 2019 ("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
Claire Fidler	Executive Director
Anthony Keane	Independent Non-Executive Director
Howard Brenchley	Independent Non-Executive Director
Steven Leigh	Independent Non-Executive Director

National Storage Financial Services Limited, "the Responsible Entity"

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

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

REVIEW AND RESULTS OF OPERATIONS

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

Operating results

For the half-year ended 31 December 2019, total revenue increased by 15% to \$87.4m (31 December 2018: \$76.1m) driven by strong storage revenue growth achieved via an increase in centre occupancy, and acquisition of additional centres.

Underlying earnings¹ increased 31% to \$34.5m (31 December 2018: \$26.3m) through the contribution from acquisitions and improved centre operating performance.

	H1 FY20	H1 FY19
IFRS profit after tax	\$150.7m	\$27.1m
Plus tax expense	\$1.6m	\$0.9m
Plus restructuring and other non-recurring costs	\$1.6m	\$0.5m
Plus contracted gain in respect of sale of investment property (note 5)	\$3.1m	\$1.0m
Plus non-cash interest rate swap amortisation	\$2.9m	-
Less fair value adjustment	(\$123.8m)	(\$1.3m)
Less investment property lease diminution	(\$1.6m)	(\$1.9m)
Underlying Earnings⁽¹⁾	\$34.5m	\$26.3m

Profit after tax increased by \$123.6m to \$150.7m (31 December 2018: \$27.1m) due to fair value increases to investment properties of \$123.8m.

¹ Underlying earnings is a non-IFRS measure (unaudited)

DIRECTORS' REPORT

Capital management

Cash and cash equivalents as at 31 December 2019 were \$33.5m (30 June 2019: \$178.8m). Net operating cashflow for the half-year increased by \$1.7m to \$41.4m (31 December 2018: \$39.7m).

An interim distribution of 4.7 cents per security (\$37m) was announced on 17 December 2019 with a payment date of 28 February 2020.

On 30 July 2019 NSR completed a non-underwritten security purchase plan announced on 25 June 2019. This raised \$13.5m and resulted in the issue of 7,917,735 new stapled securities.

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

For the final distribution for the year ended 30 June 2019, 33.5% of eligible securityholders (by number of stapled securities) elected to receive their distributions as securities. This raised equity of \$11.5m from the issue of 6,796,892 stapled securities during the period.

For the 31 December 2019 interim distribution, 22% of eligible security holders (by number of securities) elected to receive their distributions by way of securities. The DRP price has been set at \$2.1377 which will result in 3,809,728 new securities being issued on the distribution payment date.

The Group finance facilities are on a "Club" arrangement with a selection of major Australian banks and a major Australian superannuation fund. The Group's borrowing capacity is AUD \$730m and NZD \$226.8m (AUD \$217.8m) of which AUD \$30m and NZD \$21.5m (AUD \$20.6m) is undrawn at 31 December 2019.

Investments

During the reporting period the investment property portfolio expanded following the acquisition of fourteen storage centre assets and one development asset across Australia and New Zealand, valued at \$179m and adding 62,600sqm of net lettable area to NSR's portfolio.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

As announced to the ASX, the Group has received three confidential non-binding indicative proposals from separate parties to acquire 100% of the issued stapled securities in NSR.

NSR continues to work with these parties in relation to these proposals. Discussions with each party are subject to a number of conditions and there is no certainty that these will lead to a final recommended offer.

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

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

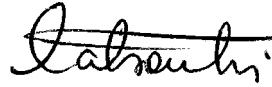
A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

DIRECTORS' REPORT

This report is made on 25 February 2020 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

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of National Storage REIT and its controlled entities

As lead auditor for the review of the half-year financial report of National Storage REIT and its controlled entities, for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Ric Roach'.

Ric Roach
Partner
25 February 2020

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2019

		Consolidated Group	
		2019	2018
		\$'000	\$'000
	Notes		
Revenue from rental income		80,701	69,383
Revenue from contracts with customers		6,119	5,914
Interest income		629	809
Total revenue		87,449	76,106
Employee expenses		(16,213)	(14,036)
Premises costs		(11,165)	(9,346)
Advertising and marketing		(2,154)	(2,068)
Insurance costs		(1,786)	(1,383)
Other operational expenses		(6,600)	(5,723)
Finance costs		(19,197)	(16,469)
Share of (loss) / profit of joint ventures and associates		(225)	160
Gain from fair value adjustments		123,789	1,271
Restructuring and other non-recurring costs		(1,609)	(477)
Profit before income tax		152,289	28,035
Income tax expense	4	(1,550)	(902)
Profit after tax		150,739	27,133
Profit for the period attributable to:			
Members of National Storage Holdings Limited		521	2,148
Non-controlling interest (unit holders of NSPT)		150,218	24,985
		150,739	27,133
Basic and diluted earnings per stapled security (cents)	17	19.22	4.28

The above Interim Statement of Profit of Loss should be read in conjunction with the accompanying notes and 30 June 2019 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Consolidated Group	
	2019	2018
	\$'000	\$'000
Profit after tax	150,739	27,133
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	268	362
Net gain / (loss) on cash flow hedges	2,356	(4,466)
Total other comprehensive gain / (loss), net of tax	2,624	(4,104)
Total comprehensive income	153,363	23,029
Comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	531	2,119
Non-controlling interest (unit holders of NSPT)	152,832	20,910
	153,363	23,029

The above Interim Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes and 30 June 2019 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		Consolidated Group	
		as at 31 Dec 2019	as at 30 Jun 2019
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		33,479	178,842
Trade and other receivables		20,039	19,738
Inventories		717	682
Assets held for sale	7	4,142	1,107
Income tax receivable		116	-
Other current assets		6,567	7,014
Total current assets		65,060	207,383
Non-current assets			
Trade and other receivables		118	118
Property, plant and equipment		899	856
Right of use assets	8	6,936	-
Investment properties	5	2,448,166	2,117,176
Investment in joint ventures and associates	6	8,246	16,731
Intangible assets	10	46,386	46,500
Deferred tax asset		2,858	2,980
Other non-current assets		1,500	569
Total non-current assets		2,515,109	2,184,930
Total Assets		2,580,169	2,392,313
LIABILITIES			
Current liabilities			
Trade and other payables		9,143	18,993
Borrowings	11	47,107	-
Lease liabilities	8	6,233	5,327
Deferred revenue		12,244	12,719
Income tax payable		474	1,264
Provisions		2,596	2,463
Distribution payable	15	37,039	34,370
Other liabilities	12	55	713
Total current liabilities		114,891	75,849
Non-current liabilities			
Borrowings	11	846,341	843,927
Lease liabilities	8	167,127	163,827
Income tax payable		460	-
Provisions		2,522	1,964
Deferred tax liability		1,500	1,097
Other liabilities	12	1,905	1,375
Total non-current liabilities		1,019,855	1,012,190
Total Liabilities		1,134,746	1,088,039
Net Assets		1,445,423	1,304,274
EQUITY			
Non-controlling interest (unit holders of NSPT)		1,326,415	1,188,147
Contributed equity	13	102,493	100,143
Other reserves		(17)	(27)
Retained earnings		16,532	16,011
Total Equity		1,445,423	1,304,274

The above Interim Statement of Financial Position should be read in conjunction with the accompanying notes and 30 June 2019 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

Attributable to securityholders of National Storage REIT

	Notes	Contributed equity \$'000	Retained earnings \$'000	Other reserves \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 1 July 2019		100,143	16,011	(27)	1,188,147	1,304,274
Profit for the period		-	521	-	150,218	150,739
Other comprehensive income		-	-	11	2,613	2,624
Total comprehensive income for the period		-	521	11	152,831	153,363
Issue of stapled securities through retail placement	13	1,278	-	-	12,261	13,539
Issue of stapled securities through distribution reinvestment plan		1,087	-	-	10,426	11,513
Costs associated with issue of stapled securities		(22)	-	-	(211)	(233)
Deferred tax on cost of stapled securities		6	-	-	-	6
Distributions provided	15	-	-	-	(37,039)	(37,039)
		2,349	-	-	(14,563)	(12,214)
Balance at 31 December 2019		102,492	16,532	(16)	1,326,415	1,445,423
Balance at 1 July 2018		66,128	10,605	(12)	813,558	890,279
Profit for the period		-	2,148	-	24,985	27,133
Other comprehensive income		-	-	(29)	(4,075)	(4,104)
Total comprehensive income / (loss) for the period		-	2,148	(29)	20,910	23,029
Issue of stapled securities through institutional and retail placement	13	16,498	-	-	158,927	175,425
Issue of stapled securities through distribution reinvestment plan		592	-	-	5,699	6,291
Costs associated with issue of stapled securities		(401)	-	-	(3,861)	(4,262)
Deferred tax on cost of securities		120	-	-	-	120
Distributions provided	15	-	-	-	(30,082)	(30,082)
		16,809	-	-	130,683	147,492
Balance at 31 December 2018		82,937	12,753	(41)	965,151	1,060,800

The above Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes and 30 June 2019 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Notes	Consolidated Group	
		2019 \$'000	2018 \$'000
Operating activities			
Receipts from customers		95,191	82,600
Payments to suppliers and employees		(52,399)	(42,382)
Interest received		178	428
Interest paid		(15)	-
Income tax paid		(1,547)	(956)
Net cash flows from operating activities		41,408	39,690
Investing activities			
Purchase of investment properties		(194,498)	(139,910)
Improvements to investment properties		(4,039)	(6,119)
Development of investment properties under construction		(16,121)	(11,424)
Proceeds from sale of investment property		1,107	-
Purchase of property, plant and equipment		(235)	(161)
Purchase of intangible assets		(464)	(355)
Investment in joint ventures and associates		(2,030)	(1,274)
Distribution received from joint ventures and associates		10,290	-
Net cash flows used in investing activities		(205,990)	(159,243)
Financing activities			
Proceeds from issue of stapled securities	13	13,539	175,425
Transaction costs on issue of stapled securities		(407)	(4,262)
Distributions paid to stapled security holders		(22,857)	(21,105)
Repayment of borrowings		(181,400)	(122,100)
Proceeds from borrowings		230,085	146,696
Payment of principal on lease liabilities		(6,720)	(6,250)
Interest and other finance costs paid		(12,702)	(12,486)
Borrowings to joint venture		(325)	(4,250)
Net cash flows from financing activities		19,213	151,668
Net (decrease) / increase in cash and cash equivalents		(145,369)	32,115
Net foreign exchange difference		6	39
Cash and cash equivalents at 1 July		178,842	21,333
Cash and cash equivalents at 31 December		33,479	53,487

The above Interim Statement of Cash Flows should be read in conjunction with the accompanying notes and 30 June 2019 Financial Statements of National Storage REIT.

NOTES TO THE FINANCIAL STATEMENTS

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 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 2019 was approved on 25 February 2020, in accordance with resolutions from the Board of Directors of National Storage Holdings Limited and the Board of Directors of National Storage Financial Services Limited as the Responsible Entity of National Storage Property Trust.

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

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

Basis of preparation

This Interim Financial Report for the half-year ended 31 December 2019 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 2019 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

The consolidated financial statements for the Group are prepared on the basis that NSH 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.

The accounting policies applied in this Interim Financial Report are the same as the 30 June 2019 financial report for NSR except for the accounting policies impacted by the new or amended Accounting Standards detailed in this note.

The Group elects to present only financial information relating to NSR within this financial report. A separate financial report for the NSPT Group has also been prepared for the half-year ended 31 December 2019, this is available at www.nationalstorageinvest.com.au.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by the Group in accordance with the continuous disclosure obligations of the ASX listing rules during the half-year ended 31 December 2019.

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

Deficiency of net current assets

As at 31 December 2019, the Group had an excess of current liabilities over current assets of \$49.8m.

The Group has \$47.1m of borrowings classified as current liabilities as they are drawn under a facility with an expiry date due within a year. The Group expects to refinance this facility prior to the expiry date. The Group has other available funding facilities beyond a year of \$50.6m.

Accounting standard AASB 140 *Investment Property* requires the financial lease liability to be split between current and non-current while the corresponding asset is classed as non-current. This results in

NOTES TO THE FINANCIAL STATEMENTS

the recognition of a current liability of \$5.6m. The Directors believe the excess value of the total investment property over the finance lease liability reflects the positive position in both the immediate and long-term and that sufficient cash inflows from operations will occur to enable all liabilities to be paid when due.

Current liabilities also include deferred revenue of \$12.2m associated with prepaid storage rentals which are not expected to result in a significant cash outflow.

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

Changes in accounting policy, accounting standards and interpretations

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

The Group applies, for the first time, AASB 16 Leases. As required by AASB 134 *Interim Financial Reporting*, the nature and effect of the AASB 16 changes are disclosed below.

Several other amendments and interpretations apply for the first time in these financial statements, but did not have an impact on the half-year financial report.

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC -15 Operating Leases - Incentives and SIC - 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted AASB 16 Leases using the modified retrospective method from 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group has not restated comparative periods, as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. The liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The adoption AASB 16 as at 1 July 2019 results in the recognition of following assets and liabilities:

	\$'000
Assets	
Right of use assets	<u>1,086</u>
Liabilities	
Finance lease liabilities	<u>1,086</u>

The Group recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low value assets. The right of use assets were recognised based on the carrying amount on application of the standard, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

In applying AASB 16 for the first time, the Group has used the following practical expedient permitted by the standard:

- Applied the short term leases exemption to leases with lease term that ends within 12 months of the date of initial application. The Group has one premises lease that is due to expire in April 2020, to which this expedient was applied.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019:

	\$'000
Operating lease commitments as at 30 June 2019	1,382
Weighted average incremental borrowing as at 1 July 2019	2.93%
Discounted operating lease commitments as at 1 July 2019	<u>1,317</u>
Less:	
Commitments relating to short-term leases	(385)
Add:	
Commitments relating to leases recognised for the first time under AASB 16	<u>154</u>
Lease liabilities as at 1 July 2019	<u>1,086</u>

The Group's leasehold investment properties will continue to be accounted for under AASB 140 and will be unaffected by the application of AASB 16.

The accounting policies adopted in the preparation of the interim consolidated financial statements are otherwise consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019.

3. Segment information

The Group operates wholly within one business segment being the operation and management of storage centres in Australia and New Zealand. The operating results presented in the statement of profit or loss represent the same segment information as reported in internal management information.

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 finance income) are managed on a Group basis and not allocated to operating segments.

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

NOTES TO THE FINANCIAL STATEMENTS

4. Income tax

NSPT is a 'flow through' entity for Australian income tax purposes and is an Attribution Managed Investment Trust, such that the determined tax components of NSPT will be taxable in the hands of unitholders on an attribution basis. NSPT's subsidiary National Storage New Zealand Property Trust ("NSNZPT") is an Australian registered trust which owns investment property in New Zealand. For New Zealand tax purposes NSNZPT is classed as a unit trust and is subject to New Zealand income tax at a rate of 28%.

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

For the six months ended 31 December

	2019 \$'000	2018 \$'000
Consolidated statement of profit or loss		
Current income tax	633	1,010
Deferred income tax	917	(108)
Income tax expense	1,550	902

Consolidated statement of other comprehensive income

Deferred tax relating to items recognised in other comprehensive income during the period

Net (loss) / gain on revaluation of cash flow hedges	(80)	88
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Consolidated statement of other comprehensive income

Deferred tax relating to items recognised in statement of changes in equity during the period

Cost of issuing share capital	(6)	(120)
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5. Investment properties

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Investment properties at valuation		
Leasehold investment properties	214,559	215,279
Freehold investment properties	2,176,282	1,874,698
Freehold investment properties under construction	57,325	27,199
Total investment properties	2,448,166	2,117,176

Leasehold properties

Opening balance at 1 July	215,279	207,664
Property acquisitions	-	10,911
Improvements to investment properties	213	417
Reassessment of lease terms	68	8,196
Finance lease diminution, presented as fair value adjustments	(1,587)	(3,548)
Other fair value adjustments	586	(8,361)
Closing balance at 31 December / 30 June	214,559	215,279

Freehold properties

Opening balance at 1 July	1,874,698	1,377,924
Property acquisitions	177,207	381,319
Property disposals	-	(26,000)
Improvements to investment properties	3,825	9,301
Items reclassified from freehold investment properties under construction	3,160	26,972
Items reclassified to freehold investment properties under construction	(4,303)	-
Items reclassified from assets held for sale	-	5,713
Items reclassified to assets held for sale	(4,142)	(2,068)
Net gain from fair value adjustments	125,071	97,232
Effect of movement in foreign exchange	766	4,305
Closing balance at 31 December / 30 June	2,176,282	1,874,698

NOTES TO THE FINANCIAL STATEMENTS

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Freehold investment properties under construction at cost		
Opening balance at 1 July	27,199	7,210
Property acquisitions	12,650	33,122
Development costs	16,264	13,839
Items reclassified to freehold investment properties	(3,160)	(26,972)
Items reclassified from freehold investment properties	4,303	-
Effect of movement in foreign exchange	69	-
Closing balance at 31 December / 30 June	57,325	27,199

In the period ended 31 December 2019, included within net gain from fair value adjustments for freehold investment properties is an unrealised gain of \$3.1m relating to the contracted divestment of a component of a freehold investment property during the period. This asset has been reclassified to assets held for sale and is recorded at fair value (see note 7). (30 June 2019: realised gain of \$2.7m and an unrealised gain of \$1.1m relating to the divestment of freehold investment properties).

6. Interest in joint ventures and associates

Interest in joint ventures

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Opening balance at 1 July	4,343	7,432
Capital contribution / acquisition of shareholding in joint ventures	2,030	3,499
Share of profit from joint ventures	24	1,476
Distributions received from joint venture	-	(5,064)
Disposal of units in joint venture	-	(3,000)
Closing balance at 31 December / 30 June	6,397	4,343

The Group holds a 25% interest in the Bundall Storage Trust, Bundall Commercial Trust and the TBF & NS Trust. (30 June 2019: 25% interest in the Bundall Storage Trust and Bundall Commercial Trust).

The Bundall Commercial Trust derives rental property income from the leasing of commercial units. As at 31 December 2019, the Bundall Storage Trust has one storage centre investment property under construction.

During the year ended 30 June 2019, the Group made an additional equity contribution of \$1.3m into the Bundall Storage Trust and \$2.2m into the Bundall Commercial Trust. The Group also acquired two storage centre investment property assets from the Bundall Storage Trust for \$43.7m and sold investment property assets to the Bundall Storage Trust for \$8.2m and the Bundall Commercial Trust for \$17.8m. There was no change in the share of the Group's interest following these transactions.

During the period ended 31 December 2019, the Group subscribed to 25% of the units in the TBF & NS Trust for \$2m. The TBF & NS Trust subsequently purchased a development site for a storage centre and commercial property in Queensland, Australia.

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

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Opening balance at 1 July	12,388	10,693
Share of (loss) / profit from associates*	(249)	1,695
Distributions from associate	(10,290)	-
Closing balance at 31 December / 30 June	1,849	12,388

*Included within share of profit from associates for the year ended 30 June 2019 is \$1.9m representing NSR's share of fair value gains related to investment properties held by associates (31 December 2019: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

The Group owns 24.9% (30 June 2019: 24.9%) of the Australia Prime Storage Fund ("APSF").

During the period, the Group purchased three storage centre investment properties in Australia from APSF for \$64m. Following these transactions, the Group received distributions from APSF totalling \$10.3m. APSF is now in the process of being dissolved.

The Group holds a 24% (30 June 2019: 24%) holding in Spacer Marketplaces Pty Ltd ("Spacer"). Spacer operate online peer-to-peer marketplaces for self-storage and parking.

None of the Group's joint ventures or associates are listed on any public exchange. See note 14 for fees received and purchases from joint ventures and associates.

7. Assets held for sale

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current assets		
Opening balance at 1 July	1,107	5,713
Items reclassified from freehold investment property	4,142	2,068
Items reclassified to freehold investment property	-	(5,713)
Disposals during the period	(1,107)	(961)
Closing balance at 31 December / 30 June	4,142	1,107

On 26 December 2019, the Group entered into an agreement for the sale of a freehold investment property in Melbourne, Victoria for \$4.2m, less cost of sale of \$0.1m. This has resulted in an unrealised gain of \$3.1m from the asset's carrying value within freehold investment property at 30 June 2019. This has been included within fair value adjustments in the statement of profit or loss. This transaction is expected to settle on 28 February 2020.

As a result of the above transaction the asset has been reclassified from investment property to current assets held for sale.

As at 30 June 2019, the Group held an agreement for the sale of commercial investment property in Dunedin, New Zealand for NZD \$1.2m less cost of sale of NZD \$0.1m (AUD \$1.1m). This transaction settled on 20 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

8. Right of use assets and lease liabilities

The right of use assets and lease liabilities have arisen upon adoption of AASB 16 from 1 July 2019. Refer to note 2 for further information.

a) Right of use assets	Premises leases \$'000	Equipment leases \$'000	Advertising leases \$'000	Total \$'000
Adjustments on the adoption of AASB 16	-	1,072	14	1,086
Additions in the period ending 31 December 2019	5,994	-	-	5,994
Depreciation charge	-	(141)	(3)	(144)
Closing balance at 31 December 2019	5,994	931	11	6,936

b) Lease liabilities	31 Dec 2019 \$'000	1 July 2019 \$'000
Current lease liabilities		
Lease liabilities relating to right of use assets	667	271
Lease liabilities relating to right of use assets presented as leasehold investment property	5,566	5,327
Total current lease liabilities	6,233	5,598
Non-current lease liabilities		
Lease liabilities relating to right of use assets	6,062	815
Lease liabilities relating to right of use assets presented as leasehold investment property	161,065	163,827
Total non-current lease liabilities	167,127	164,642
Total lease liabilities	173,360	170,240

9. Non-financial assets fair value measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2019				
Assets held for sale	-	4,142	-	4,142
Leasehold investment properties	-	-	214,559	214,559
Freehold investment properties	-	-	2,176,282	2,176,282
	-	4,142	2,390,841	2,394,983
At 30 June 2019				
Assets held for sale	-	1,107	-	1,107
Leasehold investment properties	-	-	215,279	215,279
Freehold investment properties	-	-	1,874,698	1,874,698
	-	1,107	2,089,977	2,091,084

Recognised fair value measurements

The Group's policy is to recognise transfers in and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. During the period ended 31 December 2019, the Group transferred \$4.1m from level 3 to level 2 following the reclassification of an asset from freehold investment properties to assets held for sale as detailed in note 7 (year ended 30 June 2019: \$2.1m). In the year ended 30 June 2019 the Group transferred \$5.7m from level 2 to level 3 following the reclassification of an asset from assets held for sale to freehold investment properties.

NOTES TO THE FINANCIAL STATEMENTS

Fair value measurements using significant observable inputs (level 2)

The fair value of assets held for sale is determined using valuation techniques which maximise the use of observable market data. For the periods ended 31 December 2019 and 30 June 2019, the Group had assets classified as held for sale at contractually agreed sales price less estimated cost of sale.

Fair value measurements using significant unobservable inputs (level 3)

Valuation techniques used to determine level 3 fair values and valuation process

Investment properties, principally storage centres, are held for rental to customers requiring self-storage facilities. They are carried at fair value. Changes in fair values are presented in profit or loss as fair value adjustments.

Fair values are determined by a combination of independent valuations and 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. 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 30 June financial year end.

At 31 December 2019, the Group has completed updated Director valuations for all leasehold and freehold investment properties held at 30 June 2019. These reflect the capitalisation rate compression observed in current market conditions. This represents a significant change to one of the key inputs of the property valuations. Freehold investment properties acquired in the period ended 31 December 2019 have been held at external valuation.

At 30 June 2019, the Group held 38% of freehold investment properties and 23% of leasehold investment properties at external valuation.

Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs	Range at 31 December 2019	Range at 30 June 2019
Investment properties - leasehold	Capitalisation method	Primary capitalisation rate	7.3% to 40.5%	7.5% to 40.5%
		Secondary capitalisation rate	7.3% to 41.0%	8.0% to 41.0%
		Sustainable occupancy	85% to 93%	83% to 93%
		Stabilised average EBITDA	\$374,243	\$364,642
Investment properties - freehold	Capitalisation method	Primary capitalisation rate	5.8% to 8.2%	6.0% to 8.2%
		Secondary capitalisation rate	6.3% to 8.8%	6.5% to 9.3%
		Sustainable occupancy	75% to 95%	74% to 98%
		Stabilised average EBITDA	\$955,769	\$912,261

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

The capitalisation rates are derived from recent sales of similar properties. The secondary capitalisation rate is typically higher than the primary capitalisation rate to reflect the additional risk associated with these cashflows. Generally, an increase in stabilised average EBITDA will result in an increase in fair value of an investment property. An increase in the vacancy rate will result in a reduction of the stabilised average EBITDA. Investment properties are valued on a highest and best use basis. The current use of all of the investment properties (self-storage) is considered to be the highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

The capitalisation rate adopted reflects the inherent risk associated with the property. For example, if the lease expiry profile of a particular property is short, the capitalisation rate is likely to be higher to reflect additional risk to income. The higher capitalisation rate then reduces the valuation of the property.

The following tables present the sensitivity of investment property fair values to changes in input assumptions.

At 31 December 2019:

		Leasehold		Freehold	
		Increase/(decrease) in input	Increase/(decrease) in fair value \$'000	Increase/(decrease) in input	Increase/(decrease) in fair value \$'000
Unobservable inputs					
Capitalisation rate	Primary	1% / (1%)	(3,990) / 4,990	1% / (1%)	(224,250) / 305,520
	Secondary	2% / (2%)	(2,630) / 4,110	2% / (2%)	(116,940) / 204,520
Sustainable occupancy		5% / (5%)	7,610 / (5,780)	5% / (5%)	129,760 / (99,140)
Stabilised average EBITDA		5% / (5%)	2,580 / (2,590)	5% / (5%)	98,580 / (90,130)

At 30 June 2019:

		Leasehold		Freehold	
		Increase/(decrease) in input	Increase/(decrease) in fair value \$'000	Increase/(decrease) in input	Increase/(decrease) in fair value \$'000
Unobservable inputs					
Capitalisation rate	Primary	1% / (1%)	(3,790) / 4,710	1% / (1%)	(188,200) / 254,780
	Secondary	2% / (2%)	(2,830) / 4,370	2% / (2%)	(90,560) / 156,620
Sustainable occupancy		5% / (5%)	7,370 / (5,740)	5% / (5%)	114,620 / (81,010)
Stabilised average EBITDA		5% / (5%)	2,530 / (2,530)	5% / (5%)	83,770 / (74,650)

10. Intangible assets

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Goodwill	43,954	43,954
Other intangibles	2,432	2,546
Total intangible assets	46,386	46,500

Impairment testing of goodwill

Goodwill is an asset acquired through business combinations. Management have determined that the listed group, which is considered one operating segment (see note 3), is the appropriate cash generating unit against which to allocate this asset owing to the synergies arising from combining a number of asset portfolios.

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 2019 NSR had 788,058,583 stapled securities quoted on the ASX at \$1.835 per security providing a market capitalisation of \$1,446m. This amount is in excess of the carrying amount of the Group's net assets. The Directors have not identified any indicators of impairment of goodwill as at the date of this report.

Other intangible assets relate to costs incurred on development projects which are expected to generate future economic benefits either via increased revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS

11. Borrowings

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current borrowings		
Bank finance facility	47,107	-
Bank finance facility	850,011	847,838
Non-amortised borrowing costs	(3,670)	(3,911)
Total non-current borrowings	846,341	843,927
Total borrowings	893,448	843,927

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

Drawn amounts and facility limits are as follows:

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Bank finance facilities (AUD)		
Drawn amount	700,000	663,800
Facility limit	730,000	680,000
Bank finance facilities (NZD)		
Drawn amount	205,250	192,250
Facility limit	226,750	196,750
AUD equivalent of NZD facilities shown above		
Drawn amount	197,118	184,038
Facility limit	217,766	188,346

The major terms of these agreements are as follows:

- At both 31 December and 30 June 2019, maturity dates on these facilities range from 23 July 2020 to 23 December 2026.
- All facilities are interest only with any drawn balance payable at maturity.
- The interest rate applied is the bank bill rate plus a margin.
- Security has been granted over the Group's freehold investment properties.

The Group has a bank overdraft facility with a limit of AUD \$3m that was undrawn at 31 December and 30 June 2019.

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

Interest rate swaps

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	460,000	400,000
Future interest rate swaps	25,000	275,000
Interest rate swaps (NZD) at face value		
Current interest rate swaps	50,000	73,500
Future interest rate swaps	-	50,000
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	48,019	70,361
Future interest rate swaps	-	47,864

NOTES TO THE FINANCIAL STATEMENTS

12. Financial instruments fair value measurement

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the financial instruments recognised in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, financial instruments are classified into the following three levels.

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

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

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

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The resulting fair value estimates for interest rate swaps are included in level 2.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2019				
<i>Derivative used for hedging – forward currency exchange contract</i>				
Current financial assets	-	1	-	1
<i>Derivative used for hedging - interest rate swaps</i>				
Current financial liabilities	-	(55)	-	(55)
Non-current financial liabilities	-	(1,905)	-	(1,905)
	-	(1,960)	-	(1,960)
At 30 June 2019				
<i>Derivative used for hedging – forward currency exchange contract</i>				
Current financial liabilities	-	(474)	-	(474)
<i>Derivative used for hedging - interest rate swaps</i>				
Non-current financial assets	-	569	-	569
Current financial liabilities	-	(239)	-	(239)
Non-current financial liabilities	-	(1,375)	-	(1,375)
	-	(1,045)	-	(1,045)

There were no transfers between levels of fair value hierarchy during the period ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

13. Contributed equity

Issued and paid up capital	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Issued and paid up capital	102,493	83,692
Contract for future issue of equity	-	16,451
Total contributed equity	102,493	100,143

Number of stapled securities on issue	31 Dec 2019 No.	30 Jun 2019 No.
Opening balance at 1 July	673,928,751	559,107,042
Institutional and retail placements	107,332,940	105,677,937
Distribution reinvestment plan	6,796,892	9,143,772
Closing balance	788,058,583	673,928,751

Capital raise

On 25 June 2019, the Group announced a fully underwritten \$170m equity raising. On 28 June 2019, the Group received proceeds for this raising. This resulted in the issue of 99,415,205 new stapled securities on 1 July 2019. At 30 June 2019, this represented a contract for future issue of equity under AASB 132 and was recognised as contributed equity within the statement of financial position for the year ended 30 June 2019.

On 25 June 2019, the Group also announced a non-underwritten security purchase plan. This completed on 30 July 2019, raising \$13.5m and resulted in the issue of 7,917,735 new stapled securities.

Distribution reinvestment plan

During the period 6,796,892 stapled securities were issued to securityholders participating in the Group's DRP for consideration of \$11.5m. The stapled securities were issued at the volume weighted average market price of the Group's stapled securities over a period of ten trading days, less a 2% discount.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

14. Related party transactions

The following tables provide the total amount of transactions that have been entered into with related parties for the six months ended 31 December 2019 and 2018, as well as balances with related parties as at 31 December 2019 and 30 June 2019.

Transaction with related parties

		Revenue from related parties \$	Purchases from related parties \$	Amount owed by related parties \$	Amount owed to related parties \$
Australia Prime Storage Fund	Current period	390,195	-	-	-
	Comparative period	190,678	-	502,919	-
Bundall Commercial Trust	Current period	417,665	-	9,392,665	-
	Comparative period	191,423	-	8,976,530	-
Bundall Storage Trust	Current period	129,936	-	1,932,828	-
	Comparative period	814,590	-	2,232,654	-
Bundall Storage Operations Pty Ltd	Current period	-	-	3,524	-
	Comparative period	-	-	167,407	-
Spacer Marketplaces Pty Ltd	Current period	-	24,947	-	-
	Comparative period	-	31,046	-	-
The TBF & NS Trust	Current period	807,623	-	848,582	-
	Comparative period	-	-	-	-

As at 31 December 2019, the Group had receivables outstanding of \$8,725,000 with the Bundall Commercial Trust and \$1,350,000 with the Bundall Storage 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 have been classed as a current receivable in the statement of financial position as this receivable is expected to be repaid within 12 months of 31 December 2019. The remaining amounts owed by the Bundall Commercial Trust and Bundall Storage Trust relate to contractual management fees and accrued interest not paid at 31 December 2019.

All other outstanding balances at period end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the periods ended 31 December 2019 and 30 June 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

NOTES TO THE FINANCIAL STATEMENTS

15. Distributions declared

Unit distributions

Distributions declared	31 Dec 2019 \$'000	31 Dec 2018 \$'000
NSPT interim distribution of 4.7 cents per unit payable on 28 February 2020 (1 March 2019: 4.5 cents per unit)	37,039	30,082

16. Commitments and contingencies

Capital commitments

As at 31 December 2019, the Group held commitments to purchase two freehold investment properties for \$24.9m following construction of the assets.

As at 31 December 2019, the Group has contractual commitments in place for the construction of self-storage centres of \$28.7m Australia and NZD \$5.4m (AUD \$5.2m) in New Zealand. (see note 5).

As at 31 December 2019, the Group held a commitment with a third party, to supply and install solar panels on a number of NSR storage centres. As at 31 December 2019, the Group has a commitment to additional expenditure of \$1.2m, to be paid on agreed milestones subject to the completion of the project.

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.

17. Earnings per stapled security

	31 Dec 2019 cents	31 Dec 2018 cents (adjusted)
Basic and diluted earnings per stapled security	19.22	4.28

Reconciliation of earnings used in calculating earnings per stapled security

	\$'000	\$'000
Basic and diluted earnings per security		
Net profit attributable to members	150,739	27,133
	No. of securities	No. of securities
Weighted average number of securities on issue during the period	784,372,664	628,838,159
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	104,580	5,207,735
Weighted average number of securities for basic and diluted earnings per stapled security	784,477,244	634,045,894

As required by AASB 133 *Earnings per share*, for issues of capital during the period ended 31 December 2019 and 31 December 2018, 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

18. Events after reporting period

As announced to the ASX, the Group has received three confidential non-binding indicative proposals from separate parties to acquire 100% of the issued stapled securities in NSR. NSR continues to work with these parties in relation to these proposals. Discussions with each party are subject to a number of conditions and there is no certainty that these will lead to a final recommended offer.

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

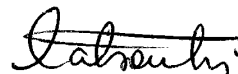
- (a) the financial statements and notes of NSR for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended 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 NSR will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Laurence Brindle
Chairman

25 February 2020
Brisbane



Andrew Catsoulis
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT



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working world**

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of National Storage REIT and the entities it controlled (the Group) during the half-year, which comprises the interim statement of financial position as at 31 December 2019, the interim statement of profit or loss, the interim statement of other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

INDEPENDENT AUDITOR'S REVIEW REPORT



Independence

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

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

Ernst & Young

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

Ric Roach
Partner
Brisbane
25 February 2020

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