ANNUAL REPORT 2018/2019

IMPORTANT INFORMATION

ABOUT THIS REPORT

Welcome to National Storage REIT's 2019 Annual Report which reports our performance for the financial year 1 July 2018 – 30 June 2019.

The 2019 Reporting Suite includes:

Annual Report – a review of FY19 performance, strategy and governance

Financial Report – FY19 financial accounts and detailed financial performance

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

ENTITIES

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

RESPONSIBLE ENTITY OF NSPT

National Storage Financial Services Limited (NSFL)
ACN 600 787 246 AFSL 475 228
Level 23, 71 Eagle Street, Brisbane QLD 4000

Sustainability Report – outlines NSR's approach to sustainability. The 2019 Sustainability Report will be released prior to National Storage REIT's AGM and will be available online at www.nationalstorageinvest.com.au at that time

DISCLAIMER

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

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

This report contains forward-looking statements and forecasts, including statements regarding future earnings and distributions. These forward-looking statements and forecasts are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NSH and/or NSFL, and which may cause actual results or performance to differ materially from those expressed or implied by the forward-looking statements and forecasts contained in this report.

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

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

CONTENTS

OUR BUSINESS

National Storage is one of Australasia's largest self-storage providers, tailoring self-storage solutions to over 60,000 residential and commercial customers at 168 storage centres across Australia and New Zealand. National Storage REIT is the only publicly listed fully integrated owner and operator of self-storage centres in Australasia.

The National Storage offering spans self-storage, business storage, Wine Ark - Climate-controlled wine storage, collection management and trading, vehicle storage, vehicle and trailer hire, packaging supplies, and insurance. In addition to the traditional self-storage offering, National Storage provides value-add services for businesses including receipt and dispatch, corporate account management, forklifts and pallet jacks, and versatile, adaptable spaces to suit every customer's needs.

Each National Storage centre reflects our commitment to quality, convenience and service. At National Storage, you can expect secure, clean and modern premises and a team of professionals trained in the exacting task of providing efficient storage.

NATIONAL STORAGE BUNDALL

OUR FY19 PERFORMANCE

FINANCIAL HIGHLIGHTS

Total Revenue	$159.2m	FY18: $139.1m	↑ 14%
IFRS profit	$144.8m	FY18: $145.8m	↓ 1%
Underlying Earnings [1]	$62.4m	FY18: $51.4m	↑ 21%
Underlying Earnings [1] per Stapled Security	9.6cps	FY18: 9.6cps	-
Distribution per Stapled Security	9.6cps	FY18: 9.6cps	-
Assets Under Management (AUM)	$1.95b	FY18: $1.43b	↑ 36%

OPERATIONAL HIGHLIGHTS

Number of Centres (30 June 2019)	169	FY18: 135	↑ 34
Square Metres of Net Lettable Area	887,000	FY18: 703,000	↑ 184,000
Number of Storage Units	90,000	FY18: 73,000	↑ 23%
Like-for-like Occupancy [2]	81.4%	FY18: 80.3%	↑ 1.1%
Like-for-like Revenue per Available Metre (REVPAM)[2]	$206m	FY18: $205m	↑ 0.5%
NZ Occupancy	85.7%	FY18: 84.7%	↑ 1.0%

CAPITAL STRENGTH

Total Asset Value	$2.39b	FY18: $1.71b	↑ $680m
Gearing	33%	FY18: 38%	↓ 5%
Weighted Average Debt Tenor	4.0	FY18: 4.7	↓ 0.7years
Net Tangible Assets per Stapled Security	$1.63	FY18: $1.51	↑8%

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

[2] Same centre 30 June 2018 (104 centres), excluding Wine Ark, New Zealand and developing centres

OUR STRATEGY

NSR's objective is to deliver investors a stable and growing income stream from a diversified portfolio of high-quality self-storage assets and to drive income and capital growth through active asset and portfolio management.

Acquisitions

Execute high-quality acquisitions in a fragmented industry

Product & Innovation

Explore market opportunities for revenue generation, focus on digital transformation, drive innovation and sustainability at a product and portfolio level

Asset Management

Balance occupancy and rate to achieve organic growth and drive revenue growth

Leverage management platform and economies of scale to extract value driven cost efficiencies across the portfolio

Portfolio,Development & Centre Management

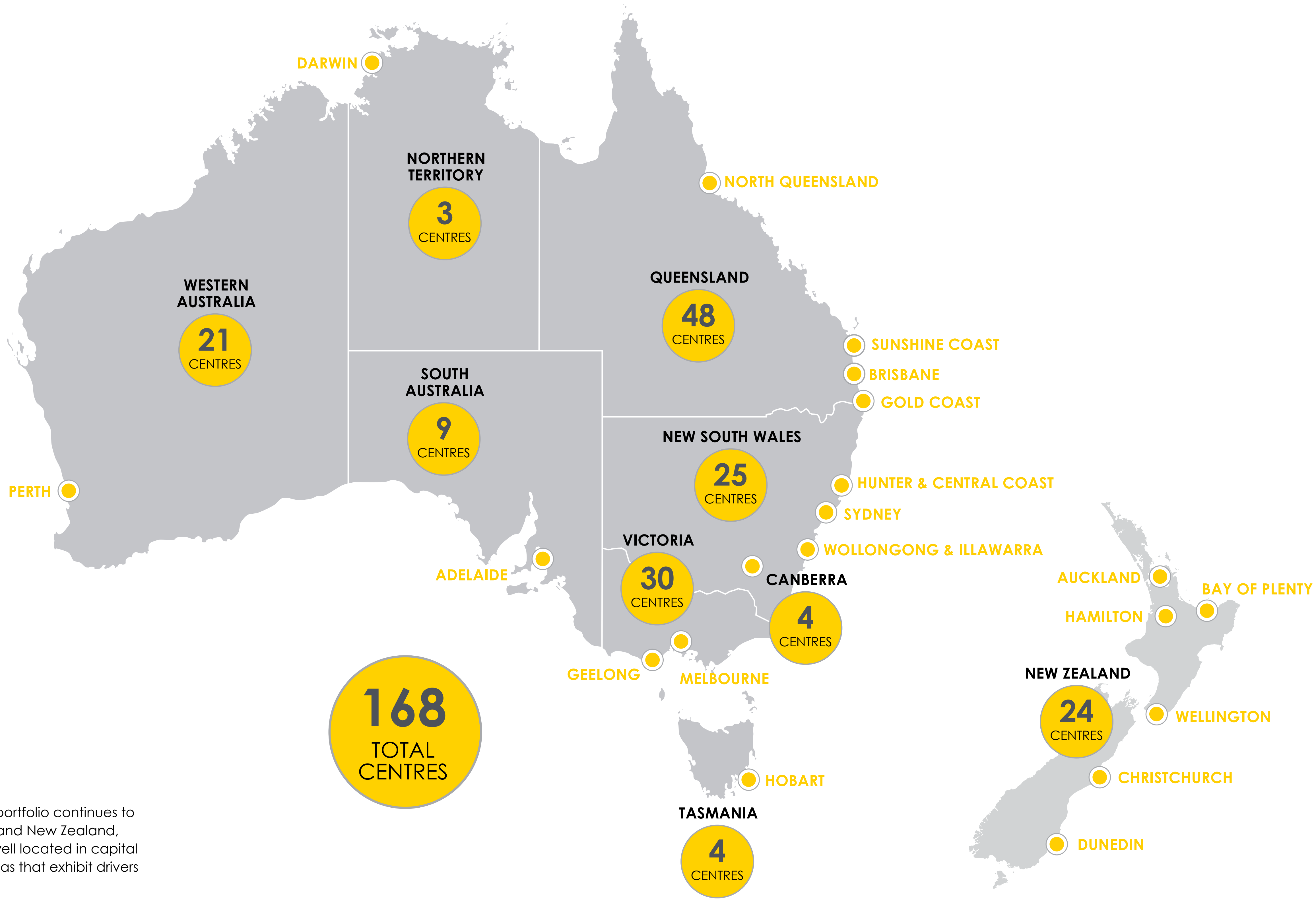
Focus on development in markets where acquisition is challenging, maximise portfolio potential through expansion of outperforming assets, align with investment partners to execute development opportunities and undertake portfolio recycling opportunities to maximise value

Capital Management

Maintain an efficient capital structure

Multiple revenue streams to maximise returns

OUR PORTFOLIO



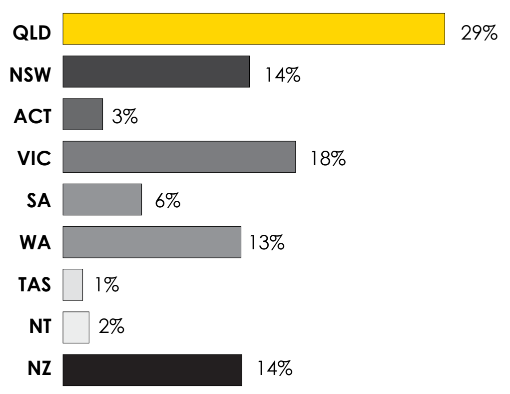
The National Storage portfolio continues to grow across Australia and New Zealand, with storage centres well located in capital cities and regional areas that exhibit drivers of storage demand.

As at the date of this Report.

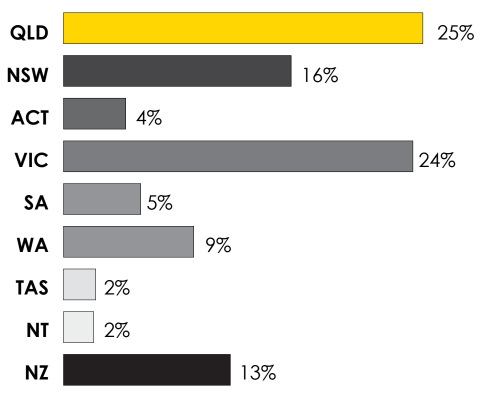
*Map not to scale.

PORTFOLIO STATISTICS
30 JUNE 2019

PORTFOLIO DIVERSIFICATION BY NLA



PORTFOLIO DIVERSIFICATION BY VALUE



PORTFOLIO BY NLA	JUNE 2019
North Queensland	45,200
Sunshine Coast	23,100
Gold Coast	56,600
Brisbane	132,400
Sydney	82,500
Canberra	26,200
Melbourne	139,000
Geelong	12,400
Adelaide	52,500
Tasmania	12,700
Perth	119,600
Darwin	17,000
Wollongong	19,400
Central Coast NSW	28,400
TOTAL	767,000

PORTFOLIO BY NLA	JUNE 2019
Auckland	16,500
Hamilton	24,700
Wellington	29,800
Christchurch	18,300
Dunedin	22,100
Regional	8,600
TOTAL	120,000

FY19 PORTFOLIO COMPOSITION	NUMBER OF CENTRES
Freehold	148
Leasehold	15
Managed	4
Licensed	2
TOTAL	169

PORTFOLIO VALUATION

NSR Portfolio Value $1.95 billion
Weighted Average Primary Cap Rate 6.85%

CHAIRMAN AND MANAGING DIRECTORS' REPORT

The 2018-2019 year has heralded a number of major milestones in the growth and maturity of National Storage REIT ("NSR"). Today we are pleased to announce that NSR has reported an A-IFRS profit of $144.8 million with underlying earnings of $62.4 million, up 21% and in line with forecast. Total underlying earnings per security for FY19 are 9.6 cents per stapled security. NSR's active asset management has seen its NTA increase by 8% to $1.63 per stapled security. Combined with our distribution yield, this has resulted in a total security holder return of 15% in FY19. The Australian portfolio (same centre - June 2018) occupancy has risen to 81.4% while REVPAM has increased to $206 per square metre. NSR's market capitalisation now exceeds $1.3 billion with total assets approaching $2.4 billion. With 168 centres currently owned and under management, NSR has cemented its position as the largest owner operator of storage centres in Australia and New Zealand. NSR now has approximately 880,000m^2 of net lettable area, over 88,000 individual storage units in various sizes and over 60,000 residential and commercial customers.

The past year has been our most active and challenging year to date, with 35 individual centre acquisitions, totaling in excess of $350 million in value. In addition, we have acquired 4 new development sites, either on a standalone basis or through various joint venture arrangements. These projects are designed to deliver high-quality, state-of-the-art new storage centres in key locations across Australia and New Zealand.

The NSR business model has continued to focus on generating multiple revenue streams across the key focus areas of our business – organic growth, acquisitions, developments and harnessing technology and innovation to maximise our existing revenue streams. The 2018-2019 year has demonstrated the strength and resilience of NSR's business, providing solid returns to investors, despite challenging macroeconomic and microeconomic conditions in some markets, particularly in the residential housing sector. We will now take a moment to examine NSR's achievements in each of these areas in more detail.

ORGANIC GROWTH

Organic growth in NSR's business is derived from a combination of occupancy growth and our ability to drive an increased rate per square metre from occupied space, the assessment of which is based on storage demand on an individual centre-by-centre basis. Residential storage accounts for approximately 70% of total occupied space with the remaining space being filled by small to medium enterprises, including online retailers or ecommerce platforms, corporate businesses and specialty storage offerings such as wine storage, boat/caravan storage and climate-controlled storage.

Despite soft housing market conditions impacting a number of key markets around Australia, NSR has maintained an average occupancy of over 81% across its existing portfolio (on a same-centre basis) and a strong rate per square metre of $260. We are already seeing early signs of positive growth in FY20. Pleasingly, earnings from our corporate storage business have grown by almost 20% on a year-on-year basis and this remains a strong focus in FY20.

Our target stabilised NSR Group occupancy remains in the high 80% range on a portfolio basis and we have already reached a historically high level of average occupancy of 86% across our NZ centres in FY19, where market conditions remain buoyant and demand continues to be strong in all key markets in which NSR operates. We are introducing a number of new initiatives to target similar outcomes in Australia. These new initiatives include an Operational Transformation Plan, which has been implemented after a 360-degree review of the operating business, and is designed to invest more authority in state and territory based leadership teams with higher level state managers already in place and making a positive impact on our business.

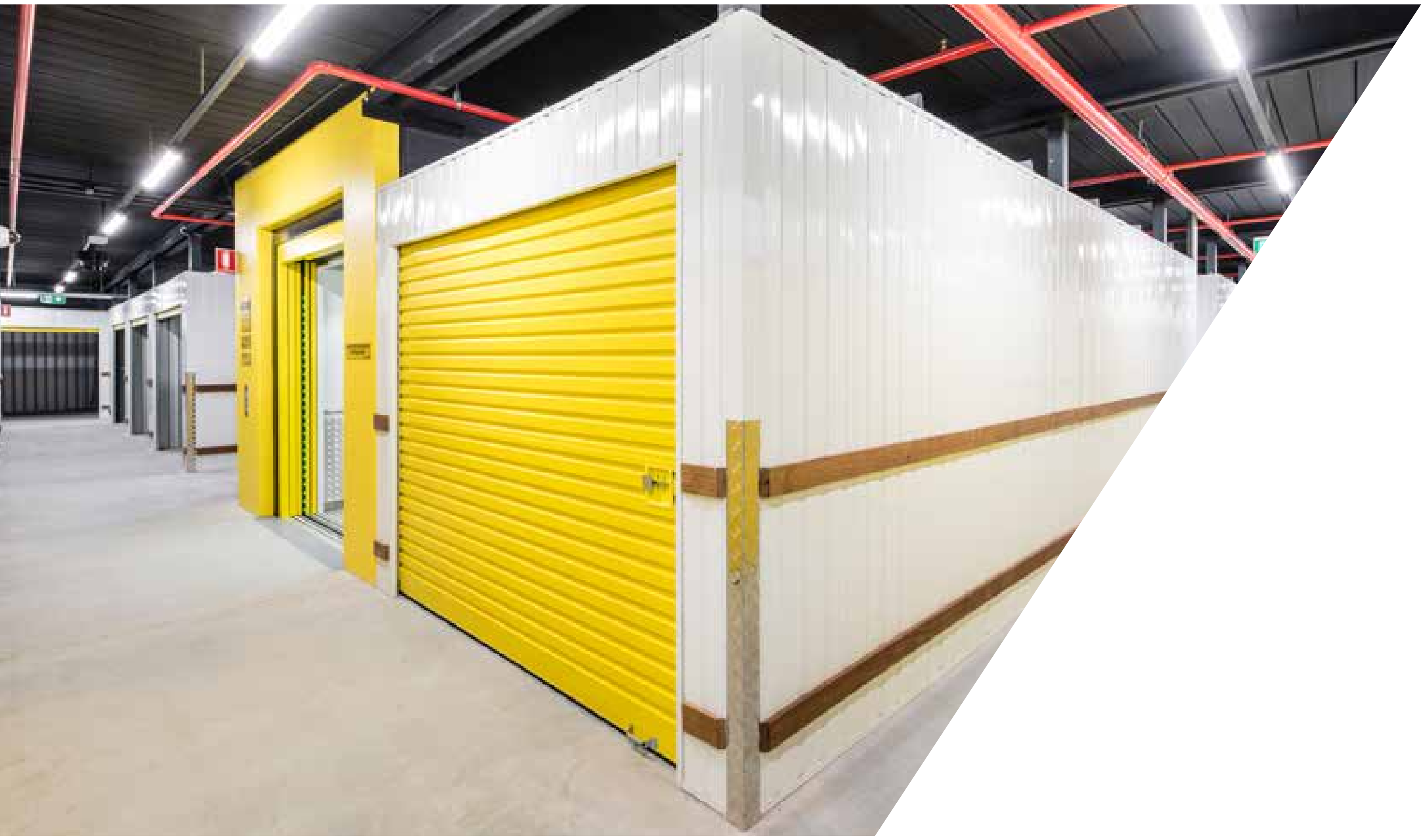
We also have a new strategic marketing plan in place, designed to increase enquiries at an individual centre level, as well as online bookings and enquiries flowing into our dedicated contact centre. A new webchat platform and online booking portal are in the process of finalisation and testing. Our new-look website is currently being completely redesigned and rebuilt from the ground up after extensive feedback from internal and external focus groups. The new website is due to be launched in coming months.

Our sponsorship activity continues to drive brand awareness and engagement across a range of new and existing organisations in Australia and New Zealand. These include Queensland Performing Arts Centre, men's and women's Brisbane Broncos and Melbourne Storm in the NRL, men's and women's Richmond AFL teams, 888 Racing in the V8 Supercars, Wellington Hurricanes in the Super Rugby Competition, men's and women's Brisbane Heat teams in the Big Bash League, along with the Perth Glory in the A-League, and Perth Wildcats in the NBL.

ACQUISITIONS

Our acquisitions and integrations team have been working tirelessly throughout the 2018-2019 year in their efforts to bring a record number of new centre acquisitions to NSR across Australia and New Zealand. This has included 35 individual storage centres plus 4 new development sites, in excess of $400 million. This reflects one new centre acquired and integrated on average every 10 days, which is an impressive achievement for a small but highly efficient team.

These acquisitions have strengthened our coverage in existing markets and added a number of important new regions to the NSR portfolio in Australia and New Zealand. Importantly, this includes three new Auckland centre acquisitions and three new Auckland development sites now under planning or construction. NSR now has 22 operating centres, 2 licensed centres and a further three under development in New Zealand, making it the largest owner operator in the country. In addition, NSR has extended its Australian coverage in New South Wales to include Wollongong with three new centres,



and Newcastle and the Central Coast with multiple new centres acquired in that region. In Queensland we have acquired nine new centres, providing important additional coverage and opportunities to build further efficiencies and economies of scale into the operating platform. In Melbourne and its surrounds, NSR has acquired two new centres, bringing the total coverage in Victoria to 30 centres. NSR is the largest owner operator of centres in Perth with 21 centres, providing extensive coverage in this important market. NSR has also grown its coverage in other areas of Australia including the Gold Coast, Sunshine Coast, Townsville, Cairns, Darwin and Adelaide.

Our acquisition activity continues in FY20, and the pipeline of new opportunities remains strong for the foreseeable future. We continue to be focused on acquiring high-quality centres inkey growth areas with opportunities to value-add either by expansion, improvement to existing levels of occupancy or rate per square metre, automation, or through harnessing economies of scale by integrating individual centres into the existing NSR operating platform.

DEVELOPMENTS

The NSR development team continues to identify locations that embody strong demand demographics for new centre development opportunities. During the year 4 developments were completed totalling approximately $30 million and delivering an additional 17,400sqm of NLA. Currently, 13 new development and expansion projects are on foot, with a total on-completion value exceeding $150 million and which will deliver an additional 80,000sqm of NLA. NSR will continue to develop these sites either in its own right, or by a combination of joint venture or turnkey arrangements through a number of existing and new relationships. These include important long-term relationships with the Bryan Family Group in Queensland and the Australia Prime Storage Fund, and turnkey construction arrangements with the Parsons Group in Perth and Quigg Constructions in Queensland. In addition, a number of new arrangements are being actively investigated in other states of Australia and in New Zealand. These joint ventures and development arrangements provide an important pipeline of new high-quality, state-of-the-art storage centres for NSR in key locations and generate income for NSR from services including development management, project management and ongoing asset management of these assets.

TECHNOLOGY AND INNOVATION

NSR continues to enhance its operating platform through the use of new technology and other innovations applicable to its business. This includes automation, enhanced analytics, improvements to its existing operating systems, a completely new website and online booking portal and enhanced search engine optimisation (SEO) and search engine marketing (SEM) techniques designed to drive increased enquiries and convert these into sales. NSR's investment in the "Spacer" online booking platform continues to generate growth in enquiries each month which are directed to NSR centres.

SUSTAINABILITY

NSR leads the Australian storage industry with its proactive approach to sustainability which ultimately seeks to establish a low emission, reduced carbon footprint. These initiatives include plans to plant additional new native trees and plants indigenous to the location of each centre across our 168 locations. Phase two of our solar PV installation strategy nears completion with 110 centres having solar installations. These systems will generate approximately 4,800MWh of electricity annually and reduce our carbon emissions by over 4,000 t-Co^2-e per year, making NSR one of the largest multi-site solar power generators in Australia. NSR's packaging recycling program continues with 211 tonnes of cardboard recycled over the last 12 months.

CHARITABLE AND COMMUNITY INVOLVEMENT

We continue our strong support for charitable organisations, providing pro-bono storage units, staff time and resources, and much-needed funds to a wide range of not for profit organisations, facilitating community initiatives and supporting a variety of worthy causes.

In conclusion, the hard work of our team of storage industry experts continues to place NSR at the forefront of the storage industry in both Australia and New Zealand. Our employees remain the greatest asset of our organisation and we are indebted to each and every one of them for their efforts in continuing to make NSR the number one storage owner operator in the region. This would not be possible without the strong guidance and leadership received from our Board and the tireless work of our senior executives.

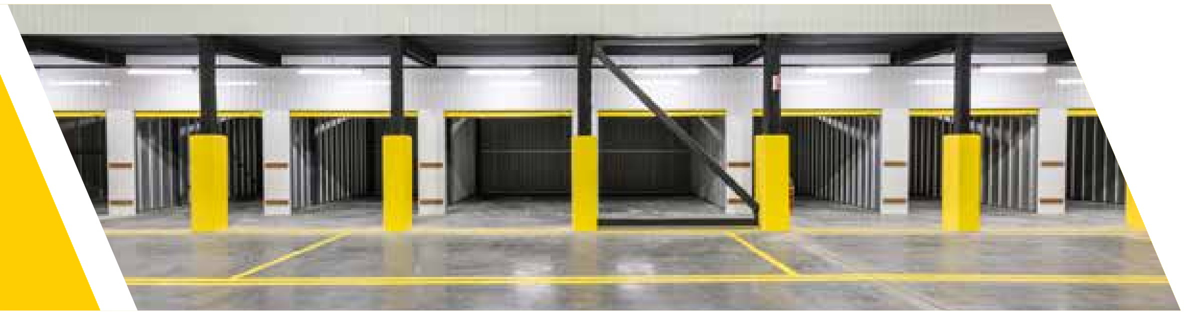
Finally, we remain sincerely grateful for the ongoing support we receive from our valued securityholders and we look forward to delivering beneficial outcomes to all our stakeholders in FY20 and beyond.

Yours sincerely

Laurence Brindle
Chairman

Andrew Catsoulis
Managing Director

INVESTMENT PARTNERS



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

PERTH DEVELOPMENT PORTFOLIO

The Perth Development Portfolio is a construction and management arrangement with one of Perth's leading self-storage construction companies, Parsons Group. This venture continues to reinforce the National Storage brand as a prominent player in the Perth market. Various sites in and around Perth have been identified as part of the arrangement, whereby Parsons Group constructs quality self-storage centres branded National Storage. The arrangement will see some centres acquired by National Storage on completion and others managed by Parsons Group under the guidelines of the National Storage operating platform. The partnership to date has delivered centres at Jandakot, Butler, Perth Airport, Yanchep, Frances Bay and Fremantle. National Storage acquired Jandakot and Butler during FY17, Perth Airport during FY18 and Yanchep and Fremantle during FY19. The Frances Bay centre is owned by Parsons Group and managed by National Storage. Additional centres are under construction at Martin and Port Kennedy. Other sites are currently in due diligence and planning stages. National Storage retains certain rights to purchase the assets under this arrangement.

AUSTRALIA PRIME STORAGE FUND

NSR was a cornerstone investor in the Australia Prime Storage Fund (APSF) with an equity interest of 24.9%. APSF was established to facilitate the development and ownership of premium self-storage centres in select major cities around Australia over the life of the fund. APSF focused its activity in inner city markets where there has been demand for a premium storage product, developing new institutional grade assets with state-of-the-art facilities and freehold tenure. National Storage successfully completed the acquisition of National Storage Albion and Kelvin Grove from APSF in July 2019. National Storage also entered into a contract to acquire, at completion, the final site being constructed by APSF, in Canterbury Victoria. The Canterbury centre is currently under construction and is expected to complete by the end of September 2019. Following the acquisition of the Canterbury centre by National Storage, it is intended that APSF will be wound up.

BRYAN FAMILY GROUP (BFG, FORMERLY KNOWN AS LEYSHON)

National Storage acquired the remaining interest in the Bundall and Milton self-storage centres from its long-term investment partner, BFG, at the end of FY19. National Storage and BFG partnered to acquire the high quality sites at Bundall on the Gold Coast and Milton in Brisbane's inner-west. Construction of these two multi level state of the art storage centres was completed in early 2019. In June 2019, National Storage and BFG extended their partnership to jointly acquire and develop the site at Biggera Waters on the Gold Coast. National Storage and BFG will construct another high-quality storage centre at the site in FY20.

SPACER

National Storage has been an investor in Spacer since 2017. The Spacer platform, also incorporating the Parkhound brand, is an online marketplace for storage, parking and warehousing, leveraging existing infrastructure and assets. Spacer source demand and offer solutions to thousands of customers searching for parking and storage across major cities in Australia. National Storage strives to be a leader in industry evolution with its digital transformation and saw an opportunity in partnering with Spacer given the rapid growth of the sharing economy. The investment was a strategic decision to stay ahead of any impacts of disruption and technology on the storage industry. Spacer Marketplaces was awarded 7th place amongst the Rising Stars of the Deloitte Technology Fast 50 awards in FY19, in recognition of its outstanding growth across the Parkhound and Spacer platforms.

THE YEAR IN REVIEW

ASSET MANAGEMENT

The past year has seen a continued focus on the active revenue management platform that has delivered growth across previous years. The refinement of our advanced revenue management modelling system, together with a storage specific data analytics platform continues to deliver efficiencies and enhance scalability across the operating platform. These results have been delivered in a year that has seen some of the toughest economic conditions across Australia, particularly in the Sydney and Melbourne markets.

Further enhancements were made to the management structure across storage operations over the year with a focus on increasing accountability for the operational results. As the portfolio continues to grow, the NSR operating model will continue to evolve in order to meet the challenges of trading environments, and to optimise operating performance. Partnerships with ParcelPoint, Australia's largest network of locations for parcel collection, and U-Haul, a leading national trailer rental provider continue to work to drive foot traffic and generate awareness of centres in local areas. Ancillary income streams including packaging sales, insurance and vehicle/trailer hire continued to increase across the year and deliver important additional revenue to the model.

FY19 has been our most active year to date with 35 individual centre acquisitions which have been undertaken in conjunction with 13 new development and expansion projects, either on a standalone basis or through various joint venture arrangements. These projects are designed to deliver high-quality, state-of-the-art new storage centres in key locations across Australia and New Zealand

Revenue per Available Square Metre (REVPAM) is the key operational metric for the NSR portfolio. The Operations Management Team maintain a focus on driving REVPAM using a balanced approach to rate per square metre and occupancy growth on an individual centre and unit type basis. At 30 June 2019, REVPAM across the Australian portfolio on a like-for-like basis (104 owned centres at June 2018, excluding developing centres) was $206/sqm (June 2018: $205/sqm). Occupancy across the portfolio on a like-for-like basis increased to 81.4% (June 2018: 80.3%).

ACQUISITIONS

National Storage has successfully transacted 35 acquisitions and 4 development sites in FY19 and continues to pursue high-quality acquisitions across Australia and New Zealand. The ability to acquire and integrate strategic accretive acquisitions is one of National Storage's major competitive advantages and a cornerstone of its growth strategy. This active growth strategy also strengthens and scales the National Storage operating platform which drives efficiencies across the business.

REGION	NUMBER OF CENTRES	TOTAL NLA
Brisbane	5	25,000
Gold Coast	4	6,500
Sunshine Coast	1	6,500
Central Coast (NSW)	6	20,600
Wollongong	3	12,700
Melbourne	2	8,600
Adelaide	3	15,500
Perth	2	10,800
Auckland (NZ)	3	27,000
Hamilton (NZ)	4	21,600
Rotorua (NZ)	1	5,000
Tauranga (NZ)	1	3,200
Total Acquisitions	**35**	**163,000**

WINE ARK

Wine Ark, Australia's largest wine storage provider is part of the National Storage group and houses over two million bottles of fine wine across 15 centres for clients located in over 30 countries. There are few businesses in Australia with more experience when it comes to storing and managing premium wine. Throughout FY19 Wine Ark continued to strengthen its relationship and involvement in the greater wine trade supporting the Wine Communicators of Australia, Sommeliers Association of Australia, Wine Australia and Commanderie de Bordeaux (Australian Chapter).

NATIONAL STORAGE MITCHELL SOLAR

MARKETING AND CUSTOMER EXPERIENCE

Growing awareness, engagement and conversion were once again key drivers of the marketing strategy in FY19. The importance of delivering an engaging and user-friendly online experience has seen the business invest in ongoing digital improvements, including the development of a new online booking platform.

Due to launch in early FY20, this new booking platform will provide an enhanced customer journey, help drive higher conversion rates and further improve data security. National Storage is committed to investing in a new digital presence in order to create a fresh, clean and simple customer experience with a focus on ensuring that our e-ecommerce offering is in line with best industry practice.

A new social media and public relations strategy has been implemented to increase online engagement, better leverage our sponsorships, promote business developments, and solidify our media presence. This has already seen our online following grow by 500% in the 6 months to June 2019 and will continue to be a priority going forward.

Year on year, the volume of traffic to the National Storage website continues to build. A consistent focus on search engine optimisation initiatives has resulted in an outstanding volume of traffic arriving on the website through organic, rather than paid channels.

Our sponsorship portfolio continues to be an important focus, driving above the line brand awareness and differentiation in both Australia and New Zealand. The breadth of codes supported by National Storage ensures we are reaching a broad demographic of people and building a positive association with the brand. We have recently moved towards a heavy business-to-business focus in our sponsorships, as we look to expand our network through affiliated corporate partners and tap into team's membership data bases. As a business, we have also placed high importance on supporting women in sport, ensuring that we sponsor both men's and women's sides in the majority of leagues. In the same way, we endeavour to utilise our sponsorships to give back to local communities, by hosting regional junior clinics and supporting local charity initiatives through our activations.

SUSTAINABILITY

This year will see the release of National Storage's third standalone sustainability report. The report is expected to be released in November 2019, prior to National Storage's AGM and will be published online at www.nationalstorageinvest.com.au. The report will detail National Storage's performance across environmental, social and governance aspects of the organisation as well as our overall vision and strategy to ensure we set realistic and achievable goals whilst ensuring appropriate sustainability targets in the short, medium and long term. These targets are designed to manage any potentially significant economic, environmental, and social impacts that National Storage causes, contributes to, or that may be directly linked to our service delivery, products or as a result of relationships with others, including our suppliers and communities.

BOARD OF DIRECTORS

LAURENCE BRINDLE

Independent Non-executive Chairman
BCom BE (Hons) MBA

Laurence has extensive experience in funds management, finance and investment. Until 2009 he was an executive with Queensland Investment Corporation (QIC). During his twenty one years with QIC he served in various senior positions including Head of Global Real Estate where he was responsible for a portfolio of $9 billion. Laurence was also a long term member of QIC's Investment Strategy Committee. He provides advice to a number of investment institutions on real estate investment and funds management matters. Laurence holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland, and a Master of Business Administration from Cass Business School, London where he graduated with distinction. He is a former Chairman of the Shopping Centre Council of Australia and a former director of Westfield Retail Trust and Scentre Group, which owns, operates and develops Westfield shopping centres in Australia and New Zealand. Laurence is also currently the Non-executive Chairman of the listed entity, Viva Energy REIT. Laurence serves on the Audit and Risk Committees and is Chairman of the Nomination and Remuneration Committees.

HOWARD BRENCHLEY

Independent Non-executive Director
BEc

Howard has over 30 years' involvement in the Australian property industry, as an analyst, investor and fund manager. He is now a professional company director and consultant to the property funds industry. Howard co founded Property Investment Research Pty Ltd (PIR) in 1989, which during the 1990s was considered a leading researcher of both listed and unlisted property funds. In 1998 Howard was instrumental in establishing the funds management business of APN Property Group Limited. During this period he was responsible for the establishment and operations of a number of funds investing both directly and indirectly in real estate. Howard is currently a non executive director of the ASX listed APN Property Group Limited (APD) and is also a non executive director of APN Funds Management Limited, responsible entity for ASX listed APN Industria REIT (ADI) and APN Convenience Retail REIT (AQR). Until July 2017, APN Funds Management Limited was also responsible entity for Generation Healthcare REIT (GHC). Howard is a member of the Audit and Risk Committees.

ANTHONY KEANE

Independent Non-executive Director
BSc (Maths) GradDipCorpFin

Anthony is an experienced finance and business executive with an extensive background in banking and business management. Prior to accepting his directorship with National Storage, Anthony held numerous leadership roles with a major trading bank principally in business, corporate and institutional banking. He is actively involved in the business community through Non Executive Director and Advisory Board roles, and finance advisory consultancies. He is a Director of Queensland Symphony Orchestra Pty Ltd, Chairman of Oncore Group Holdings Pty Ltd, and a Director of EMvision Medical Devices Ltd. Anthony has a Bachelor of Science (Mathematics) from University of Adelaide and a Graduate Diploma in Corporate Finance from Swinburne. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors and a Fellow of the CEO Institute. Anthony acts as Chairman of the Audit and Risk Committees and is a member of the Nomination and Remuneration Committees.

STEVEN LEIGH

Independent Non-executive Director
Grad Dip Proj Mgmt

Steven Leigh has more than 30 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and created through development a portfolio of high-quality retail and commercial assets in Australia, USA and the UK. Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments. After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director QIC Global Real Estate in 2012 where he was responsible for the group's $20bn plus property portfolio. Steven is a non-executive director of ASX-listed company, Scentre Group Limited and is a founding member of Male Champions of Change established by the Property Council of Australia. He has qualifications in real estate valuation and project management, and is an associate member of the Australian Property Institute. Steven is a member of the Remuneration and Nomination Committees

SENIOR EXECUTIVES

ANDREW CATSOULIS

Managing Director
BA, LLB, Grad Dip Project Mgmt (Hons)

Andrew is a qualified lawyer who has been admitted to the Supreme Court of Queensland and the Federal Court of Australia. He has had extensive experience in the fields of finance, commercial and property law during his tenure at major law firms both in Australia and overseas. He is also a qualified project manager and has considerable property development experience both within the storage industry and in broader markets. A founder of the original National Storage business, he has over 20 years of specific self-storage industry expertise including in the areas of acquisition, development, integration and operation of 'greenfield' and developed self-storage centres. Andrew was instrumental in the successful acquisition and integration of the original portfolio and led the company through the IPO.

CLAIRE FIDLER

Executive Director and Company Secretary
LLB (Honours) B Bus (Intl Bus) GAICD, FGIA

Claire was appointed an Executive Director in July 2017 and has been the principal company secretary of National Storage since November 2015 . She holds legal and international business qualifications and is admitted as a solicitor of the Supreme Court of Queensland. Claire has over ten years' experience in corporate and commercial law in private practice, having practiced in the litigation, resources and corporate areas of two large law firms. Prior to joining National Storage, Claire spent four and a half years as Corporate Counsel and Company Secretary at Rio Tinto Coal Australia. During this time, in addition to providing legal services to the business, she was responsible for the corporate governance and ASX compliance of one of Rio Tinto's listed subsidiaries as well as managing the corporate secretarial responsibilities of approximately 60 subsidiaries within the group and providing joint venture support. Claire has also worked in corporate compliance with the Australian Securities and Investments Commission. Claire is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia and is a non-executive director of Spacer Marketplaces Pty Limited.

STUART OWEN

Chief Financial Officer
BBus, CPA, GAICD

Stuart joined National Storage in late 2014, with extensive experience in the energy sector in coal and gas fired power generation. He has held wide ranging finance and commercial management roles, including as Commercial Manager for Energy Developments Limited. Prior to this, Stuart was commercial manager on the delivery of a multi site gas fired power generation project and micro LNG plant.

He has significant experience in project financing, mergers and acquisitions and project development. Stuart holds a Bachelor of Business, is a Certified Practising Accountant and is a graduate of the Australian Institute of Company Directors.

PATRICK ROGERS

General Counsel and Chief Risk Officer
LLB, BBus (Accty), FGIA

Patrick holds both legal and accounting qualifications and is admitted as a solicitor of the Supreme Court of Queensland. He has practiced as a solicitor for over 20 years in both fields. During his time in private practice, Patrick has had significant experience in corporate, property, commercial, taxation and transactional work. In addition to private practice, Patrick held senior finance roles and was the general counsel and company secretary of the Super A Mart Group for over eight years where he was extensively involved in the operations of the company. Patrick was appointed Chief Risk Officer of National Storage REIT in June 2016, in addition to his role as General Counsel and a Company Secretary of NSR.

Patrick is a Fellow of the Governance Institute of Australia.

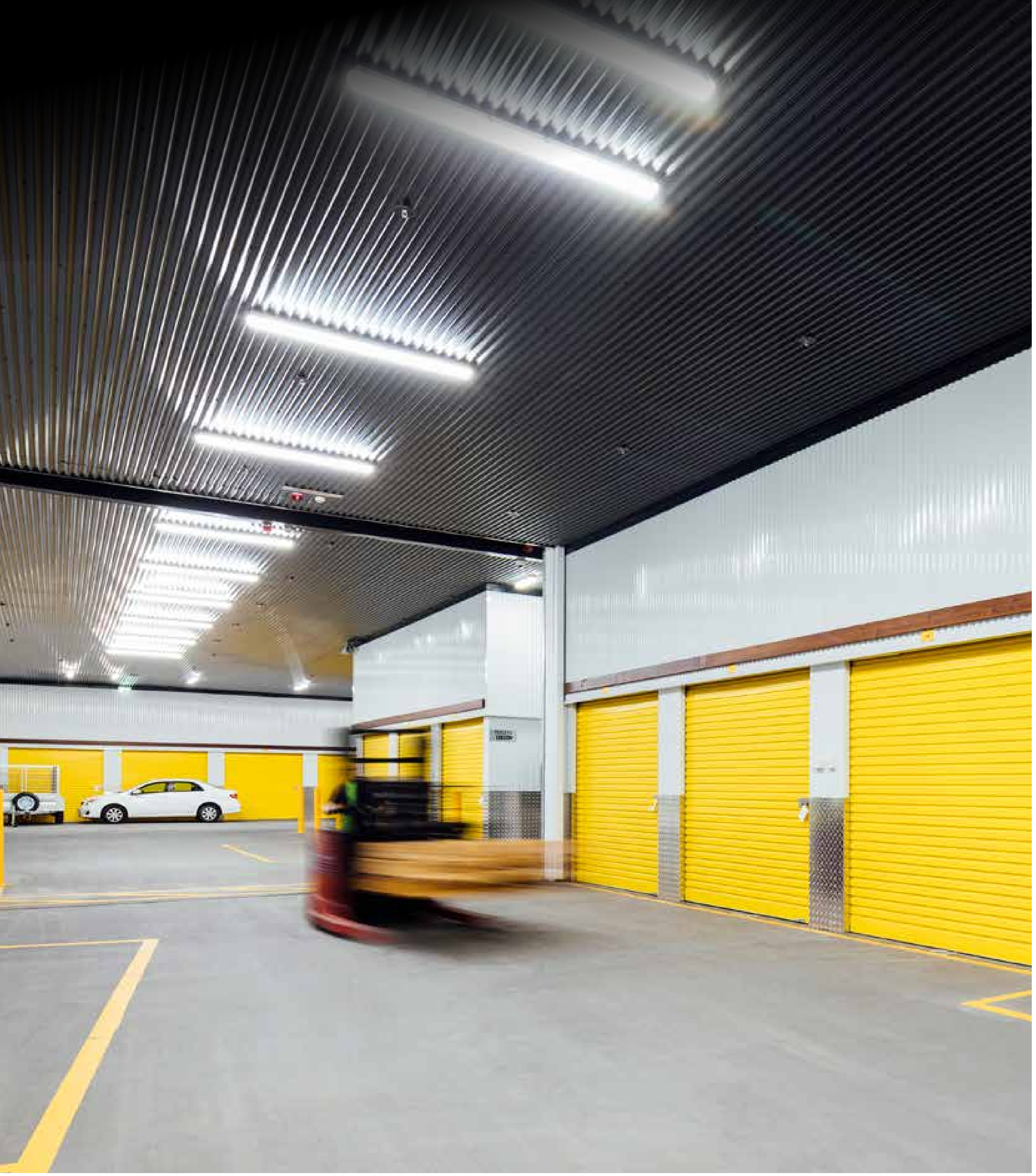
NATIONAL STORAGE BRENDALE GRAND OPENING

CORPORATE GOVERNANCE

The National Storage Boards are responsible for ensuring that the organisation has an appropriate corporate governance framework in place to protect and enhance the entity's performance and build sustainable value for securityholders. The corporate governance framework is based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
More information is provided in NSR's 2019 Corporate Governance Statement, which can be found online at www.nationalstorageinvest.com.au. Additional detail will also be included in National Storage's Sustainability Report, which is expected to be released prior to the 2019 AGM.

NATIONAL STORAGE DEVELOPMENT TEAM

DIRECTORS' REPORT



KEY HIGHLIGHTS

Group	FY19	FY18	Change	
Total Revenue	$159.2m	$139.1m	14%	▲
IFRS profit after tax	$144.8m	$145.8m	(1%)	▼
Earnings per stapled security	22.13cps	26.82cps	(17%)	▼
Underlying earnings[(1)]	$62.4m	$51.4m	21%	▲
Underlying earnings per stapled security[(1)]	9.6cps	9.6cps	-	-
Net operating cashflow	$93.3m	$77.0m	21%	▲
Distribution per security	9.6cps	9.6cps	-	-

Portfolio	At June 2019	At June 2018	Change	
Number of Centres owned/managed & licenced (Total)	163/6 (169)	130/5 (135)	33/1 (34)	▲
Like for like occupancy [(2)]	81.4%	80.3%	1.1%	▲
New Zealand occupancy	85.7%	84.7%	1.0%	▲
Like for like Revenue per available metre (REVPAM)[(2)]	$206	$205	0.5%	▲
Weighted Average Primary Cap Rate	6.85%	7.30%	(0.45%)	▼
Assets Under Management (AUM)[(3)]	$1.95b	$1.43b	36%	▲
Portfolio Valuation Uplift	$136m	$112m	$24m	▲
Acquisitions / Centres[(4,5)]	$358m/35	$155m/17	$203m/18	▲
NLA (sqm)	887,000	703,000	26%	▲

Balance Sheet	At June 2019	At June 2018	Change	
Total Assets[(5)]	$2.39b	$1.71b	40%	▲
Debt drawn[(5)]	$848m	$600m	$248m	▲
Interest Rate Hedges[(5)]	$470m	$319m	$151m	▲
Gearing	33%	38%	(5%)	▼
Weight average cost of debt	3.1%	3.8%	(0.7%)	▼
Weight average debt tenor (years)	4.0	4.7	(0.7)	▼
NTA	$1.63	$1.51	8%	▲

PRINCIPAL ACTIVITIES

NSR is the first and only internally managed and fully integrated owner and operator of self-storage centres to be listed on the ASX.

NSR is Australia's and New Zealand's largest self-storage owner/operator, with 168 self-storage centres under operation, management or licence, tailoring storage solutions to over 60,000 customers across Australia and New Zealand. NSR has grown its portfolio of owned, managed and licenced centres from 62 centres in December 2013 to 168 centres at the date of this Directors' Report, with a further five centres expected to settle in the coming months. NSR now manages approximately 90,000 storage units across approximately 900,000 square metres of net lettable area around Australia and New Zealand. Assets Under Management (AUM) have increased to $1.95 billion as at 30 June 2019, increasing 36% during the Reporting Period.

Of the 168 self-storage properties in the NSR portfolio at the date of this report, ownership is as follows:

- 148 self-storage centres owned by NSPT
- 15 self-storage centres operated as long-term leasehold centres (Leasehold Centres)
- 3 third party managed centres (Mandarah centre in WA ceased to be managed effective 31 July 2019)
- 2 licenced branding rights centres in New Zealand

NSR operates a diverse business model with multiple revenue drivers including self-storage which encompasses private storage, business storage, hard stand/vehicle storage and wine storage at NSR's climate controlled storage facilities branded "Wine Ark" developments and project management.

[1] Underlying earnings is a non-IFRS measure (unaudited), see table within Operating Results for reconciliation
[2] Same centre 30 June 2018 (104 centres), excluding WineArk, New Zealand and developing centres
[3] Investment properties (including Assets held for sale) net of finance lease liability
[4] Excluding transaction costs
[5] NZD/AUD exchange rate of 1.045

BUSINESS STRATEGY

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

The key drivers of the business are:

- Asset management – driving an appropriate balance between rental rate and occupancy growth and actively pursuing other business development initiatives in complementary areas such as wine storage, document storage and mini-logistics for SMEs;
- Portfolio management – acquiring and integrating quality self-storage assets into the NSR portfolio;
- Centre Management – effective operation of individual self-storage assets and the expansion of the National Storage Centre Management platform (revenue from third parties);
- Development management – development / refurbishment / redevelopment of new and existing centres and actively managing portfolio recycling opportunities;
- Capital management – maintaining an appropriate and efficient capital structure with a focus on risk minimisation and the development of long term sustainable and growing revenue streams; and
- Product and innovation – exploring opportunities for revenue generation across new sales channels, digital strategies and ancillary product ranges.

Further details on these key business drivers can be found elsewhere in the NSR 2019 Annual Report.

REVIEW AND RESULTS OF OPERATIONS

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

OPERATING RESULTS

IFRS Profit after tax for the Reporting Period was $144.8 million with EPS of 22.13 cents. Underlying earnings(6), increased by 21% to $62.4 million. Underlying earnings(6) per stapled security was 9.6cps for the 2019 financial year.

$m	**FY19**	**FY18**
IFRS Profit after tax	$144.8	$145.8
Plus tax expense/(benefit)	$0.3	($2.0)
Plus business combination, restructure and other non-recurring costs	$1.5	$1.3
Plus contracted gain in respect of sale of investment property	$3.9	$2.7
Plus amortisation of interest rate swap reset	$0.1	-
Less fair value adjustment	($84.7)	($92.4)
Less finance lease diminution	($3.5)	($4.0)
Underlying Earnings(6)	**$62.4**	**$51.4**
Weighted average securities on issue (refer Note 19)	650,319,184	536,933,616
Underlying earnings per stapled security(6)	**9.6cps**	**9.6cps**

Total revenue increased by 14% to $159.2 million. Occupancy across the June 2018 portfolio (excluding New Zealand and developing centres) increased to 81.4%, up from 80.3% at 30 June 2018. New Zealand occupancy increased to 85.7%, up from 84.7% at 30 June 2018. These are pleasing results given the challenging economic conditions that have been experienced over the past 12 months and demonstrates that the continued focus on driving increased occupancy is delivering results. Same centre revenue per available metre (REVPAM) increased by 0.5% to $206/sqm from $205/sqm at June 2019 delivering continued revenue growth.

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

CASH MANAGEMENT

Cash and cash equivalents as at 30 June 2019 were $178.8 million compared to $21.3 million at 30 June 2018, impacted by the capital raise undertaken on 26 June 2019. Subsequent to balance date the majority of the cash balance has been used to repay debt and facilitate further acquisitions. Net operating cashflow for the year increased to $93.3 million (2018: $77.0 million).

During the year NSR successfully completed two capital raisings providing $358 million. These were undertaken by a combination of a rights issue, two institutional placements and a Security Purchase Plan. The purpose of the equity raisings was to execute acquisition opportunities and strengthen the NSR balance sheet.

An interim distribution of 4.5 cents per stapled security ($30.1 million) was paid on 1 March 2019 with an estimated final distribution of 5.1 cents per stapled security ($34.4 million) declared on 24 June 2019 with a payment date of 5 September 2019, totalling a full year distribution of 9.6 cents per stapled security.

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

For the December 2018 interim distribution approximately 33% of eligible securityholders (by number of securities) elected to receive their distributions as securities totalling approximately $9.8 million. The DRP price was set at $1.8180 which resulted in 5,437,677 new securities being issued.

The June 2019 final distribution has seen approximately 33.5% of eligible securityholders (by number of securities) elect to receive their distributions as securities totalling approximately $11.5 million. The DRP price was set at $1.6939 which resulted in approximately 6,798,000 new securities being issued.

NSR's finance facilities are structured on a "Club" arrangement with the four major Australian banks and a major Australian superannuation fund. During the year NSR introduced the ANZ Banking Group into the banking group to increase the available banking limits and the diversity of the group. The Consolidated Group's borrowing facilities are AUD $680 million and NZD $197million. As at the reporting date AUD equivalent of approximately $21 million was undrawn and available. Subsequent to reporting date $137 million raised via the equity raising completed on 26 June 2019 was repaid and has become available. NSR actively manages its debt facilities and continues to increase when and where required to ensure adequate capacity for future acquisitions and working capital requirements. The weighted average debt tenor as at the reporting date is 4.0 years, down from 4.7 years as at 30 June 2018. NSR's target gearing range remains 25%-40% to provide flexibility and the ability to act on acquisition opportunities.

NSR maintains interest rate hedges in accordance with NSR's hedging policy which is reviewed on a regular basis. Additional interest rate hedges were entered into during the year to continue the prudent management of NSR's interest rate risks. In conjunction with the equity raising undertaken in June 2019 NSR took advantage of the low interest rate environment and reset its Australian swap book. The cost of the reset was $23.0 million with the average swap rate reduced by approximately 1.1%. As at the reporting date interest rate hedges totalling A$793 million were in place with expiry dates ranging from 0.5 years to 7.25 years.

ACQUISITIONS AND INVESTMENTS

NSR considers its ability to acquire and integrate quality assets to be one of the key drivers of its growth strategy. The dedicated acquisitions team has continued to identify, facilitate and transact on acquisitions that were considered appropriate for the portfolio.

The year ended 30 June 2019 was the most successful year since listing with the execution of NSR's acquisition strategy seeing 35 new centres and 4 development sites acquired totalling approximately $400 million. Since balance date to the date of this Directors' Report a further two centres valued at $43 million have settled with 5 additional centres valued at $73 million expected to settle by the end of September 2019. The combined process undertaken by both external valuers and the Directors to revalue the 30 June 2018 NSR owned centres as at 30 June 2019 (based on valuations and methodologies from independent valuers (m3 Property and Urbis)), yielded an increase in valuation of $136 million, with the weighted average primary capitalisation rate reducing 45 basis points to 6.85%.

Acquisitions for the Year Ended 30 June 2019

Region	Number of Centres	NLA (Sqm)
Brisbane	5	25,000
Gold Coast	4	6,500
Sunshine Coast	1	6,500
Central Coast (NSW)	6	20,600
Wollongong	3	12,700
Melbourne	2	8,600
Adelaide	3	15,500
Perth	2	10,800
Auckland (NZ)	3	27,000
Hamilton (NZ)	4	21,600
Rotorua (NZ)	1	5,000
Tauranga (NZ)	1	3,200
Total	**35**	**163,000**

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

NSR was a cornerstone investor in the Australia Prime Storage Fund (APSF) with an equity interest of 24.9%. APSF was established to facilitate the development and ownership of premium self-storage centres in select major cities around Australia over the life of the fund. APSF focused its activity in inner city markets where there has been demand for a premium storage product, developing new institutional grade assets with state-of-the-art facilities and freehold tenure.

In July 2019 NSR contracted with APSF to purchase the remaining three assets in the fund (Albion, Kelvin Grove and Canterbury) for $64 million. The Albion and Kelvin Grove centres settled on 26 July 2019 with the Canterbury centre to settle once construction has been completed. Following the sale of the Canterbury centre the fund will be wound up.

NSR has previously entered into arrangements with investment partner Bryan Family Group ("BFG") (formerly Leyshon) to acquire high-quality sites on Bundall Road, Bundall on the Gold Coast and Dorsey Street, Milton in Brisbane's inner-west through the "BFG JV". Construction of these two centres was completed during the Reporting Period and operations commenced. In June 2019 NSR contracted with the BFG JV to acquire the Bundall and Milton centres for $43.7 million with settlement occurring on 21 June 2019.

In June 2019, NSR with BFG acquired a combined commercial and self-storage development site at Biggera Waters on the Gold Coast. The BFG JV purchased the site from NSR who had previously purchased the site in December 2018 for $23 million. Development approval to construct a multi-level, state-of-the-art self-storage facility has been granted with construction expected to commence late 2019.

NSR has been appointed to manage the Biggera Waters project and will generate income from providing a range of services including design and development, project management and corporate administration.

LIKELY DEVELOPMENTS

NSR continues to utilise its position as Australia's first ASX listed, fully integrated, sector specific, self-storage REIT to continue to bring quality independently owned storage centres across Australia and New Zealand under NSR's ownership and/or management structure. In accordance with its stated strategy, NSR continues to seek high-quality acquisition opportunities, evaluate its existing portfolio for development or re-development, explore portfolio recycling opportunities and further develop and refine its third party management offerings.

DIVIDENDS AND DISTRIBUTIONS

NSR has paid or declared distributions totalling 9.6 cents per stapled security for the Reporting Period, comprising:

- An estimated final distribution of 5.1 cents per stapled security for the 6 months to 30 June 2019. The distribution is expected to be paid on 5 September 2019 and is expected to contain a tax deferred component.
- An interim distribution of 4.5 cents per stapled security for the period 1 July 2018 to 31 December 2018 which was paid on 1 March 2019 which included a tax deferred component.

OPTIONS OVER STAPLED SECURITIES

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

ENVIRONMENTAL REGULATION

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

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

ENVIRONMENTAL, ECONOMIC AND OTHER SUSTAINABILITY RISKS

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

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

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

Potential risks faced by NSR include but are not limited to:

RISK
Strategic Risk - Poor development and or execution of business strategy by the executive management team can lead to the risk of loss and or poor performance. To mitigate this risk, strategies are developed by the relevant responsible executive or senior officer. These are then reviewed and discussed, as appropriate, by other executive officers and approved by the Managing Director. Strategic decisions of a significant nature are further put before the Board and discussed in detail and require Board approval. The senior executive team meet a number of times a year to discuss strategy and ensure that it remains current and appropriate. This allows management to ensure it is employing strategies that are updated for changes in the operating environment of the business.
Economic Conditions - Fluctuations in economic conditions including consumer confidence may adversely impact upon demand for storage space. Material macroeconomic events occurring or any significant trading downturns due to factors beyond the control of management have the potential to negatively impact on forecast trading performance. The results of NSR's operating activities are dependent on the performance of the properties in which it invests and those it manages on behalf of other parties. This performance in turn depends on economic factors; these include economic growth rates, inflation rates and taxation levels. There are also industry and location specific risks to consider, including competitor behaviour. NSR mitigates the potential impacts of fluctuating economic conditions by seeking to maintain a strong and conservative balance sheet and financial position.
Operational Risk - Risk of loss due to its overall operations and management of other risks exists as a function of any operating business. NSR aims to ensure that the necessary processes, training and supervision is in place and effected to eliminate such loss wherever possible. The risk of loss from system failures is reduced through system backups and disaster recovery (contingency) procedures, which aim to ensure the maintenance of NSR's critical data availability.

RISK
General commercial property risks - Risks commonly associated with commercial property investment apply equally to NSR, including levels of occupancy, capital expenditure requirements, development and refurbishment risk, environmental or compliance issues, changes to government and planning regulations, including zoning and damage caused by flood or other extreme weather (to the extent that it is not or could not be insured against). NSR utilises a comprehensive due diligence process when acquiring centres to mitigate or eliminate risk where possible.
Tenure - Storage agreements are typically month to month and there is no guarantee customers will renew or that other customers will be found to take their place upon departure. To mitigate this risk, customer relationships are carefully managed to maximise duration of stay and highly developed marketing and management systems are in place to maximise conversion of new customer enquiries.
Competition - Entry by new competing storage centres or discounting by existing storage centres may adversely impact upon occupancy and rental rates on a centre specific basis. While there are barriers to entry for new competition, NSR constantly monitors its competitors' activities to ensure pricing and terms remain competitive.
Valuations - Valuations ascribed to NSR's assets will be influenced by a number of ongoing factors including supply and demand for self-storage centres and general property market conditions. Valuations represent the analysis and opinion of qualified experts at a certain point in time. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.
Property liquidity - Self storage centres are property based illiquid assets and subject to supply and demand factors dependent upon prevailing market conditions. As a result it may not be possible for NSR to dispose of assets in a timely or price accretive fashion should the need to do so arise.
Future acquisitions and expansions - NSR may consider opportunities to make further acquisitions of self-storage assets. NSR may also develop and expand the lettable area at a number of NSR's centres. The rate at which NSR is able to expand will reflect market forces and the availability of capital at the time. Forecast distributions may be affected by such actions. The risks faced by NSR in relation to any future development projects will depend on the terms of the transaction at the time. There can be no assurance that NSR will successfully identify, acquire and integrate further self-storage assets, or successfully implement acquisitions on time and on budget. Furthermore, there is no guarantee that any acquisition will perform as expected. Future acquisitions may also expose NSR to unanticipated business risks and liabilities.
Personnel risk - NSR relies upon the expertise and experience of the senior management team. As a consequence, if the services of key personnel were no longer available this may have an adverse impact on the financial performance of NSR. However, NSR's senior management team are considered internally to be stable and committed and succession planning is undertaken periodically by the NSH Board and Managing Director.
Interest rate fluctuations and derivative exposure - Unfavourable movements in interest rates could lead to increased interest expense to the extent that these rates are not hedged. NSR uses derivative instruments to hedge a percentage of its exposure to interest rates however the interest rate movements could still result in an adverse effect on financial performance.
Workplace health and safety - There is a risk that liability arising from occupational health and safety matters at a property in NSR's portfolio may be attributable to NSR as the registered proprietor. To the extent that any liabilities may be incurred by NSR, this may impact upon the financial position and performance of NSR (to the extent not covered by insurance). In addition, penalties may be imposed upon NSR which may have an adverse impact on NSR. NSR has a dedicated focus on Health and Safety including comprehensive reporting to assist in the mitigation or elimination of such risks and keep our team members, customers and contractors safe.
Insurance risk - There is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena. If any of NSR's assets are damaged or destroyed by an event for which NSR does not have cover, or a loss occurs which is in excess of the insured amounts, NSR could incur a capital loss and lost income which could reduce returns for holders of stapled securities. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect NSR's right of recovery under its insurance.
Funding - NSR's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of NSR. Changes to any of these underlying factors could lead to an increase in the cost of funding, limit the availability of funding, and increase the risk that NSR may not be able to refinance its debt and/or interest rate hedges before expiry or may not be able to refinance them on substantially the same terms as the existing facility or hedge instruments. If alternative financing is not available, this could adversely affect NSR's ability to acquire new properties and to fund capital expenditure, and NSR may need to realise assets at less than valuation, which may result in financial loss to NSR.

RISK
Leasehold interests - NSR holds lease agreements with certain third parties which allow it to operate storage centres from these properties. Lease terms for these properties are typically long (greater than 10 years). However, there is no guarantee that these lease arrangements will be able to be renewed upon expiry or if so on suitable terms to NSR.
Environmental issues - Unforeseen environmental issues may affect the properties in the property portfolio owned by NSR. These liabilities may be imposed irrespective of whether or not NSR is responsible for the circumstances to which they relate. NSR may also be required to remediate sites affected by environmental liabilities. The cost of remediation of sites could be substantial. If NSR is not able to remediate the site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for future borrowings. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future.
Data and Cyber Attack Loss – During the course of effecting its operations, NSR is required to handle data from various sources. As a result, there is the possibility that data could be either damaged or lost. This creates the risk of potential legal exposure from both commercial third parties and regulators depending on the nature and the extent of any possible loss or damage to the data. There is also the risk that NSR could suffer a cyber attack from a third party that could disrupt its operations and functionality.
Climate Change - Extreme weather events or progressive damage from climate related causes may cause loss to NSR through either physical impact on storage centres or disrupting operations and attendant income. NSR has enacted a specific regular review process for its centres to ensure such impacts or their likelihood is mitigated to the maximum extent possible.

DIRECTORS

NATIONAL STORAGE HOLDINGS LIMITED

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

NAME	POSITION
Laurence Brindle	Non-Executive Chairman (Appointed 1 November 2013)
Andrew Catsoulis	Managing Director (Appointed 1 November 2013)
Anthony Keane	Non-Executive Director (Appointed 1 November 2013)
Howard Brenchley	Non-Executive Director (Appointed 21 November 2014)
Steven Leigh	Non-Executive Director (Appointed 21 November 2014)
Claire Fidler	Executive Director (Appointed 18 July 2017)

NATIONAL STORAGE FINANCIAL SERVICES LIMITED (NSFL)

NSFL was appointed as responsible entity on 10 November 2015. The Directors of NSFL in office during the Reporting Period, or appointed prior to the date of this Directors' Report, and continuing as at the date of this Directors' Report are set out below.

NAME	POSITION
Laurence Brindle	Non-Executive Chairman (appointed 18 July 2014)
Andrew Catsoulis	Managing Director (appointed 18 July 2014)
Anthony Keane	Non-Executive Director (appointed 18 July 2014)
Howard Brenchley	Non-Executive Director (appointed 8 September 2015)
Steven Leigh	Non-Executive Director (appointed 8 September 2015)
Claire Fidler	Executive Director (appointed 18 July 2017)

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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

Laurence Brindle, Independent Non-executive Chairman
BCom, BE (Hons), MBA

Laurence has extensive experience in funds management, finance and investment. Until 2009 he was an executive with Queensland Investment Corporation (QIC). During his twenty-one years with QIC he served in various senior positions including Head of Global Real Estate where he was responsible for a portfolio of $9 billion. Laurence was also a long term member of QIC's Investment Strategy Committee. He provides advice to a number of investment institutions on real estate investment and funds management matters. Laurence holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland, and a Master of Business Administration from Cass Business School, London where he graduated with distinction. He is a former Chairman of the Shopping Centre Council of Australia and a former director of Westfield Retail Trust and Scentre Group, which owns, operates and develops Westfield shopping centres in Australia and New Zealand. Laurence is also currently the Non-executive Chairman of the listed entity, Viva Energy REIT.

Laurence serves on the Audit and Risk Committees and is Chairman of the Nomination and Remuneration Committees.

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

A founder of the National Storage business, Andrew has over 20 years of specific self-storage industry expertise including in the areas of acquisitions, developments, integration and operation of 'greenfield' and developed self-storage centres. Andrew is a qualified solicitor who has been admitted to the Supreme Court of Queensland. He has had extensive experience in the fields of finance, commercial and property law during his tenure at major law firms both in Australia and overseas. He is also a qualified project manager and has considerable property development experience both within the storage industry and in broader markets. Andrew was instrumental in the successful acquisition and integration of the original pre-existing Group portfolio and led the Company through the IPO and planned and negotiated the acquisition of the Southern Cross portfolio in 2016.

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

Anthony is an experienced finance and business executive with an extensive background in banking and business management. Prior to accepting his directorship with National Storage, Anthony held numerous leadership roles with a major trading bank principally in business, corporate and institutional banking. He is actively involved in the business community through Non-Executive Director and Advisory Board roles, and finance advisory consultancies. He is a Director of Queensland Symphony Orchestra Pty Ltd, Chairman of Oncore Group Holdings Pty Ltd, and a Director of ASX-listed EMvision Medical Devices Ltd. Anthony has a Bachelor of Science (Mathematics) from University of Adelaide and a Graduate Diploma in Corporate Finance from Swinburne. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors and a Fellow of the CEO Institute.

Anthony acts as Chairman of the Audit and Risk Committees and is a member of the Nomination and Remuneration Committees.

Howard Brenchley, Independent Non-executive Director
BEc

Howard has over 30 years' involvement in the Australian property industry, as an analyst, investor and fund manager. He is now a professional company director and consultant to the property funds industry. Howard co-founded Property Investment Research Pty Ltd (PIR) in 1989, which during the 1990's was considered a leading researcher of both listed and unlisted property funds.

In 1998 Howard was instrumental in establishing the funds management business of APN Property Group Limited. During this period he was responsible for the establishment and operations of a number of funds investing both directly and indirectly in real estate.

Howard is currently a non-executive director of the ASX-listed APN Property Group Limited (APD) and is also a non-executive director of APN Funds Management Limited, responsible entity for ASX-listed APN Industria REIT (ADI) and APN Convenience Retail REIT (AQR). Until July 2017, APN Funds Management Limited was also responsible entity for Generation Healthcare REIT (GHC).

Howard is a member of the Audit and Risk Committees.

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

Steven Leigh has more than 30 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and created through development a portfolio of high-quality retail and commercial assets in Australia, USA and the UK. Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments.

After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director of QIC Global Real Estate in 2012 where he was responsible for the group's $20bn plus property portfolio. Steven is a non-executive director of ASX-listed company, Scentre Group Limited, and is a founding member of Male Champions of Change established by the Property Council of Australia. He has qualifications in real estate valuation and project management, and is an associate member of the Australian Property Institute.

Steven is a member of the Remuneration and Nomination Committees.

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

Claire was appointed an Executive Director in July 2017 and has been the principal company secretary of National Storage since November 2015. She holds legal and international business qualifications and is admitted as a solicitor of the Supreme Court of Queensland. Claire has over 10 years' experience in corporate and commercial law in private practice, having practiced in the litigation, resources and corporate areas of two large law firms. Prior to joining National Storage, Claire was Corporate Counsel and Company Secretary at Rio Tinto Coal Australia. During this time, in addition to providing legal services to the business, she was responsible for the corporate governance and ASX compliance of one of Rio Tinto's listed subsidiaries as well as managing the corporate secretarial responsibilities of over 50 subsidiaries within the group and providing joint venture support. Claire has also worked in corporate compliance with the Australian Securities and Investments Commission. Claire is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia and is a non-executive director of Spacer Marketplaces Pty Limited.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Laurence Brindle	Viva Energy REIT (ASX:VVR)	10/07/2016 - Current
Howard Brenchley	APN Property Group (ASX:APD)	1998 - Current
	APN Funds Management Limited, responsible entity for:	
	APN Industria REIT (ASX:ADI)	03/12/2013 - Current
	APN Convenience Retail REIT (ASX:AQR)	27/12/2017 - Current
	And previously Generation Healthcare REIT (ASX:GHC)	12/08/2011 – July 2017
Steven Leigh	Scentre Group Limited (ASX: SCG)	04/04/2019 – Current
Anthony Keane	EMvision Medical Devices Ltd (ASX:EMV)	11/12/2018 – Current

DIRECTORS' INTERESTS IN NSR SECURITIES

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

DIRECTOR	DIRECT	INDIRECT	TOTAL
Laurence Brindle	-	1,523,488	1,523,488
Anthony Keane	-	179,618	179,618
Andrew Catsoulis	473,935	13,545,314	14,019,249
Howard Brenchley	-	56,757	56,757
Steven Leigh	-	81,900	81,900
Claire Fidler	-	10,146	10,146

DIRECTORS' MEETINGS

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

DIRECTOR	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Laurence Brindle	11 (11)	9 (9)	7 (7)	4 (4)	3 (3)
Anthony Keane	11 (11)	9 (9)	7 (7)	4 (4)	3 (3)
Andrew Catsoulis	11 (11)	-	-	-	-
Howard Brenchley	10 (11)	9 (9)	7 (7)	-	-
Steven Leigh	9 (11)	-	-	4 (4)	3 (3)
Claire Fidler	11 (11)	-	-	-	-

Notes:

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

COMPANY SECRETARY

NATIONAL STORAGE HOLDINGS LIMITED

NAME	APPOINTMENT DATE
Claire Fidler	26 November 2015
Patrick Rogers	1 November 2013

NATIONAL STORAGE FINANCIAL SERVICES LIMITED

NAME	APPOINTMENT DATE
Claire Fidler	26 November 2015
Patrick Rogers	18 July 2014

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

Refer to page 26

Patrick Rogers
LLB, B Bus – Accounting, FGIA

Patrick holds both legal and accounting qualifications and is admitted as a solicitor of the Supreme Court of Queensland. He has practiced as a solicitor for over 20 years. During his time in private practice, Patrick has had significant experience in corporate, property, commercial, taxation and transactional work. Patrick also held senior finance roles and was the general counsel and company secretary of the Super A-Mart Group for over 8 years. Patrick was appointed Chief Risk Officer of NSR in June 2016 in addition to his role as General Counsel and a Company Secretary. Patrick is a Fellow of the Governance Institute of Australia.

CORPORATE GOVERNANCE

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

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

An important component of the NSR corporate governance structure is the ASX Corporate Governance Principles and Recommendations (the "ASX Recommendations"). A statement of the extent of NSR's compliance with the ASX Recommendations can be viewed on the NSR website at www.nationalstorageinvest.com.au. Full copies of all NSR governance policies and Charters can also be found in the Governance section of the website. Additional information regarding governance at NSR will be contained in the Sustainability Report, expected to be released in November 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

(a) a challenge to any rejection of a Director's claim by the provider of the Company's insurance cover; or

(b) a cross-claim or a third-party claim for contribution or indemnity in, and results directly from, any Proceedings in respect of which the Director has made a claim under the Indemnity.

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

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

The total amount of insurance contract premiums paid for Directors and Officers insurance for NSR (including subsidiary entities) during the Reporting Period was $794,392.

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

INDEMNIFICATION OF AUDITORS

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

REMUNERATION REPORT (AUDITED) – NSH GROUP

MESSAGE FROM THE BOARD

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

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

COVERAGE OF THIS REPORT

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

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

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

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

Key management personnel covered in this report are as follows:

NON-EXECUTIVE AND EXECUTIVE DIRECTORS

Laurence Brindle - Chairman (non-executive)
Andrew Catsoulis – Managing Director (executive)
Anthony Keane - Director (non-executive)
Howard Brenchley - Director (non-executive)
Steven Leigh - Director (non-executive)
Claire Fidler – Director & Company Secretary (executive)

KEY MANAGEMENT PERSONNEL – SENIOR EXECUTIVES

Stuart Owen – Chief Financial Officer (CFO)
Patrick Rogers – General Counsel and Chief Risk Officer (GC/CRO)
Peter Greer – Chief Operating Officer (COO)*

* The COO role was made redundant effective 31 December 2017 with the responsibilities previously undertaken by the COO allocated across the balance of the executive team.

REMUNERATION GOVERNANCE

REMUNERATION COMMITTEE AND USE OF REMUNERATION CONSULTANTS

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

The responsibilities of the Remuneration Committee include:

- Formulate and recommend remuneration policies to apply to the Company's Managing Director, senior executives and non-executive Directors;
- Formulate the specific remuneration packages for senior executives (including base salary, STIs, LTIs and other contractual benefits);
- Review contractual rights of termination for senior executives;
- Review the appropriateness of the Company's succession planning policies;
- Review management's recommendation of the total proposed STI and LTI awards;
- Administering the STI and LTI awards; and
- Review management recommendations regarding the remuneration framework for the company as a whole.

The deliberations of the Remuneration Committee, including any recommendations made on remuneration issues, are considered by the NSH Board. In making its recommendations to the Board, the Remuneration Committee takes into account advice from independent remuneration advisers on trends in remuneration for KMP. The independent remuneration advisors consider a range of factors including the specific responsibilities assumed by KMP. An independent consultant, Crichton Associates, was engaged during the previous Reporting Period to assess the directors and senior executives' current remuneration and remuneration structure and to provide a summary on market practice relating to executive remuneration and remuneration structures. The advice did not constitute a remuneration recommendation as defined in the *Corporations Act Cth 2001*. No fees were paid during this financial year to any remuneration consultant.

The Remuneration Committee comprises three independent non-executive directors and is chaired by Laurence Brindle. The Remuneration committee met 4 times during the Reporting Period.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

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

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

TARGET MARKET POSITIONING

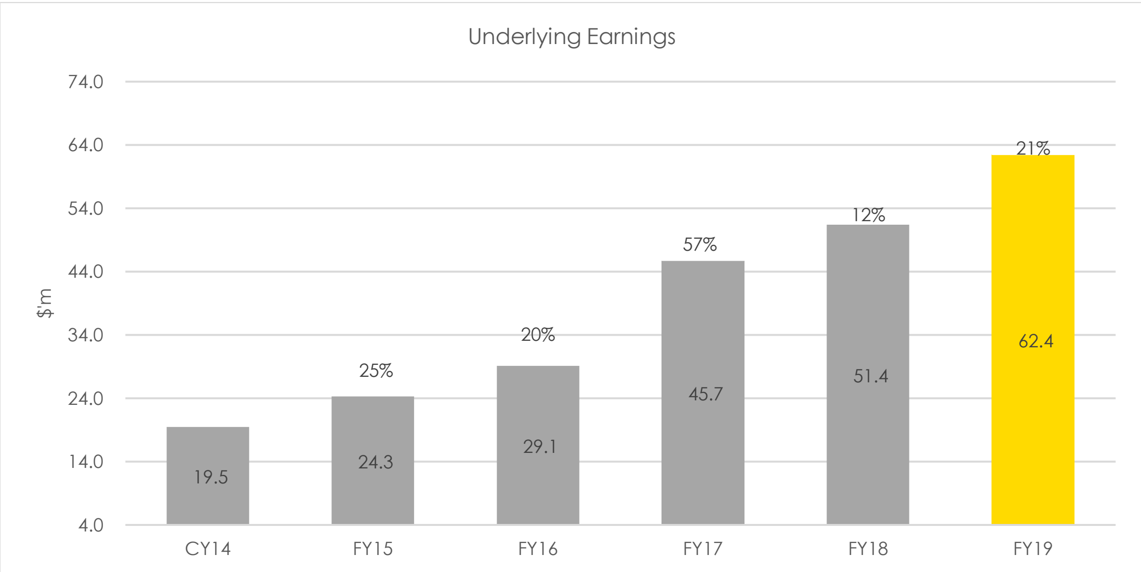
Total Annual Remuneration (TAR) is assessed against a broad comparator group and adjusted to reflect factors such as the criticality and complexity of the role, experience, length of service and NSR's positioning within the group. The individual components of TAR, comprising Total Fixed Remuneration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

When selecting the comparator group the data is collected from a combination of sources including audited Remuneration Reports of the selected companies. It provides an appropriate pool of data that is statistically relevant. This data is then assessed against NSR's current size, industry positioning and other relevant factors to determine the appropriate information against which to assess NSR's remuneration framework.

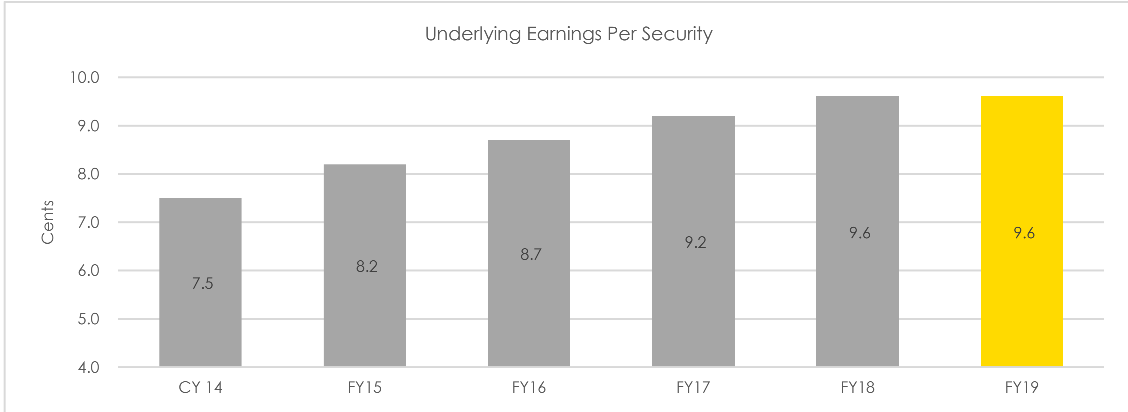
NSR PERFORMANCE

NSR has had an outstanding year in the furthering of our continued growth and delivered in excess of its growth objectives over the reporting period with the acquisition of 35 storage facilities and 4 development sites totalling in excess of $400 million. The acquisitions have been funded via the successful completion of two capital raises providing $358 million undertaken by a combination of a rights issue, institutional placements and a Security Purchase Plan. This continued the significant development of the company and delivered sustained increases in earnings and assets under management by the successful implementation of the Company's strategy. This has been further enhanced through the identification of development or expansion opportunities, of which NSR currently has 13 projects in various stages of design and construction and has successfully completed 6 new developments during the Reporting Period.

The Company has established a track record of strong and consistent growth in underlying earnings[7], net tangible assets (NTA) and total assets under management (AUM). Underlying earnings[1] per stapled security have remained steady in the 12 months to 30 June 2019 as a result of the dilutionary impact of the capital raisings and have increased since listing in December 2013 from 7.5cps to 9.6cps in the year ended 30 June 2019, an increase of 28%. NTA has increased by 8% to $1.63 per stapled security and AUM by 36% to $1.95 billion over the 12 months to 30 June 2019. These results have been achieved through the disciplined management of NSR operations and the success of our multiple revenue streams and acquisition strategy. The consistent and considered approach to driving increased underlying earnings through a combination of organic growth from existing assets as well as acquisitions has been instrumental in achieving this result.

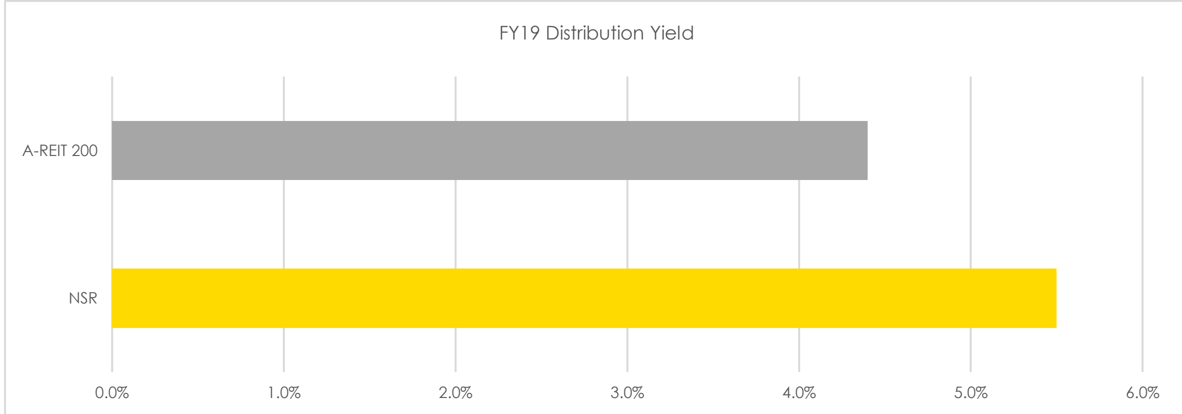


[7] Underlying earnings is a non-IFRS measure (unaudited). See page 32 of Directors' Report for reconciliation of underlying earnings



Earnings per security for the FY19 year were impacted by the dilutionary effect of the $175 million capital raise undertaken in August 2018.

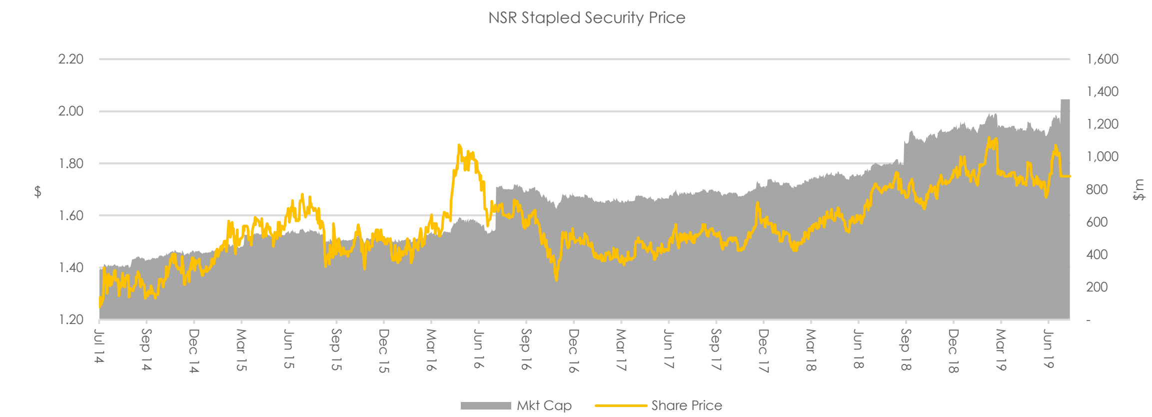
NSR has maintained a distribution policy which targets distribution of 90% - 100% of underlying earnings[8] to securityholders. During financial year 2019 NSR declared distributions totalling 9.6 cents per stapled security, being at the upper end of the stated policy, delivering DPS yield of 5.5%, some 25% above that of the ASX A-REIT 200 average of 4.4%.



Source: Bloomberg. Market Data

NSR has delivered Total Shareholder Return "TSR" (a combination of share price growth and distributions received by securityholders) over the past three years to 30 June 2019 in excess of 30%.

NSR listed in December 2013 with an issue price of $0.98. From that time to 30 June 2019 the stapled security price has increased by 79% with the 28 June 2019 closing price of $1.75, with the market capitalisation of the company increasing 343% to $1.35b as at 28 June 2019.



Security price performance over the period 1 July 2014 to 30 June 2019 has shown a 40% increase. This compares to an increase of 50% for the ASX A-REIT 200 index and 23% for the broader ASX 200 Index over the same period.

[8] Underlying earnings is a non-IFRS measure (unaudited). See page 32 of Directors' Report for reconciliation of underlying earnings

NSR REMUNERATION FRAMEWORK

NON-EXECUTIVE DIRECTORS

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

The number of meetings of directors is shown on page 40 of this report.

The Constitution of NSH specifies that the amount of the remuneration of the non-executive directors is a yearly sum not exceeding the sum from time to time determined by the Company in a general meeting. Under the ASX Listing Rules, the total amount paid to all NSH non-executive directors for their services must not exceed in aggregate in any financial year the amount fixed by NSH's annual general meeting. The amount approved by securityholders at the 2014 Annual General meeting is $900,000.

Annual NSH non-executive directors' fees and Committee fees currently agreed to be paid by NSH effective from 1 July 2019 are detailed below. Non-executive directors are not eligible to participate in NSR's incentive plan.

NON-EXECUTIVE DIRECTORS	BASE FEE	AUDIT AND RISK COMMITTEE FEES	REMUNERATION AND NOMINATION COMMITTEE FEES	TOTAL
Laurence Brindle[a]				$295,000
Anthony Keane[b]	$122,500	$25,000	$6,000	$153,500
Steven Leigh	$122,500	-	$6,000	$128,500
Howard Brenchley	$122,500	$10,000	-	$132,500

a. Chairman and chair of the Remuneration and Nomination Committees and receives a single fee for all roles
b. Chair of the of Audit and Risk Committees

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

KEY MANAGEMENT PERSONNEL - EXECUTIVE DIRECTOR AND SENIOR EXECUTIVES

All remuneration paid to executive directors and senior executives comprises four components:

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

Base salary and benefits

The Managing Director and senior executives are paid a base salary that includes employer contributions to superannuation funds. The remuneration of the Managing Director is reviewed annually by the Remuneration Committee and Board. The remuneration of senior executives is reviewed annually by the Managing Director who makes a recommendation to the Remuneration Committee. The Committee then considers, but is not obliged to accept, the recommendation of the Managing Director and takes whatever additional steps it determines appropriate to assess the senior executive salaries.

There is no guarantee of base salary increases included in any executive director or senior executive contracts or through the annual review process. The remuneration of all KMP was reviewed during the year.

The Managing Director and senior executives can potentially be paid a bonus as part of their remuneration. Whether such a bonus is paid and the amount of such a bonus is at the discretion of the Remuneration Committee and the Board. Any bonuses paid would fall into the category of "other remuneration".

Service agreements

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

The terms of employment for the KMP effective from 1 July 2019 period are set out in the table below.

NAME	TERM OF AGREEMENT AND NOTICE PERIOD	BASE SALARY INCLUDING SUPERANNUATION*	TERMINATION PAYMENTS
Andrew Catsoulis	No fixed term 6 months	$1,075,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness.
Stuart Owen	No fixed term 6 months	$550,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness. • 1 months fixed remuneration plus 2 weeks for each year of service – capped at 2 months in the event of redundancy
Patrick Rogers	No fixed term 6 months	$410,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness. • 1 months fixed remuneration plus 2 weeks for each year of service – capped at 2 months in the event of redundancy
Claire Fidler	No fixed term 6 months	$320,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness. • 1 months fixed remuneration plus 2 weeks for each year of service – capped at 2 months in the event of redundancy

* Base salaries are annual salaries for the financial year commencing 1 July 2019. They are reviewed annually by the Remuneration Committee. Actual salaries paid in the year ended 30 June 2019 are shown on page 50.

The composition of TAR for the year ending 30 June 2020 for KMP is detailed in the table below.

ROLE	TFR	STI	LTI
MD	55.00%	22.50%	22.50%
CFO	62.50%	18.75%	18.75%
GC/CRO	71.90%	14.05%	14.05%
CoSec	71.10%	14.45%	14.45%

Short and long term incentives

KMP senior executives may also be entitled to participate in the STI and LTI programs that are in place from time to time. The incentive programs are at the discretion of the Board and do not constitute an entitlement under the executive service agreements of the respective KMP. Total incentive programs are assessed against a broad comparator group and adjusted to reflect factors such as the criticality of the role, experience, length of service and NSR's positioning within the comparator group including the ASX A-REIT 200 index. The Board continually assesses the structure of the incentive plans and has determined that at this point in time payments made under these plans will be paid in cash. The Board considers that there is a sufficient nexus between the cash remuneration and the equity based payments given the link between security price performance and TSR.

An independent consultant was engaged during the previous Reporting Period to assess the appropriateness of the remuneration structure currently in place and to provide advice on market practice relating to executive remuneration structures. The advice did not constitute a remuneration recommendation as defined in the *Corporations Act Cth 2001*. After considering all the relevant information the Board has determined that the existing short and long term incentive program is appropriate. The following incentive program is effective from 1 July 2019.

Short Term Incentive (STI)
The STI contains four separate elements that will be assessed independently of the other elements. The STI is an annual incentive and is to be paid in cash annually.

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

* The Financial Out-Performance STI is only payable to the extent that the total STI payable does not exceed 100%.
The minimum STI payable is zero and maximum STI payable is $750,000 for FY20 in aggregate for all KMP.

Long Term Incentive (LTI)
The LTI criteria have been set so as to align the interests of KMP with those of securityholders. The LTI contains two separate components which are independently tested:

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

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

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

The LTI is assessed over a rolling 3-year period and as such to be eligible for payment of the LTI, KMP must have been employed by NSR for three years (or shorter period as determined by the Board). Post three years' service the LTI will be paid on an annual basis on the previous three years' performance against the pre-determined criteria.

The minimum LTI payable is zero and maximum LTI payable is $750,000 for FY20 in aggregate for all KMP.

Short and long term incentives in place during reporting period:
The KMP were eligible for payment of STI's and LTI's for the financial year ended 30 June 2019 in accordance with the incentive program outlined in the 2018 Annual Report. The program is the same as that outlined above.

The STI's and LTI's were agreed with the KMP to reward them for performance against both financial and operational objectives. The minimum payable was zero and maximum payable was $1,325,000 for FY19 in aggregate for all KMP.

The STI and LTI hurdles included:
1. Underlying earnings[9] equal to or exceeding 9.6 cents per security
2. TSR over the three year period to 30 June 2019 being greater than the 50th percentile of the comparator group (ASX A-REIT 200)
3. Rolling three-year compound EPS growth exceeding 5% (June 2019 target 10.7cps)

The Board has assessed the performance of the Company and the KMP against the performance criteria and have determined that the following STI and LTI's have been earned and are payable, inclusive of statutory Superannuation amounts, for the period 1 July 2018 to 30 June 2019.

INCENTIVE OFFICER	STI		LTI		
	AMOUNT	% EARNED	AMOUNT	% EARNED	TOTAL
Andrew Catsoulis (MD)	$394,000	99%	$140,000	35%	$534,000
Stuart Owen (CFO)	$148,875	99%	$52,500	35%	$201,375
Patrick Rogers (GC/CRO)	$74,438	99%	$26,250	35%	$100,688
Claire Fidler (CoSec)	$37,219	99%	$13,125	35%	$50,344
Total	**$654,532**	**99%**	**$231,875**	**35%**	**$886,407**

The Board continues to asses both short-term and long-term incentives against a strict set of criteria and believes that delivering superior results to security holders is required for KMP to achieve full incentive payments.

9 Underlying earnings is a non-IFRS measure (unaudited). See page 32 of Directors' Report for reconciliation of underlying earnings

DETAILS OF REMUNERATION

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

	SALARY & FEES	SHORT TERM INCENTIVE (CASH)	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS SUPERANNUATION	LONG TERM INCENTIVE (CASH)	LONG SERVICE LEAVE	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2019	$	$	$	$	$	$	$	$	%
Non-executive directors									
Laurence Brindle	259,469	-	9,000	20,531	-	-	-	289,000	0%
Anthony Keane	133,333	-	-	12,667	-	-	-	146,000	0%
Howard Brenchley	124,047	-	-	-	-	-	-	124,047	0%
Steven Leigh	110,502	-	-	10,498	-	-	-	121,000	0%
Executive directors									
Andrew Catsoulis	956,004	394,000	9,000	20,531	140,000	22,603	-	1,542,138	35%
Claire Fidler	258,968	37,219	9,000	20,531	13,125	6,279	-	345,122	15%
Senior executives									
Stuart Owen	515,425	148,875	9,000	20,531	52,500	11,301	-	757,632	27%
Patrick Rogers	373,243	74,438	9,000	20,531	26,250	8,562	-	512,024	20%
Total	**2,730,991**	**654,532**	**45,000**	**125,820**	**231,875**	**48,745**	**-**	**3,836,963**	

	SALARY & FEES	SHORT TERM INCENTIVE (CASH)	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS SUPERANNUATION	LONG TERM INCENTIVE (CASH)	LONG SERVICE LEAVE	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2018	$	$	$	$	$	$	$	$	%
Non-executive directors									
Laurence Brindle	249,951	-	9,000	20,049	-	-	-	279,000	0%
Anthony Keane	123,288	-	-	11,712	-	-	-	135,000	0%
Howard Brenchley	116,500	-	-	-	-	-	-	116,500	0%
Steven Leigh	103,653	-	-	9,847	-	-	-	113,500	0%
Executive directors									
Andrew Catsoulis	900,448	221,233	9,000	28,989	90,411	20,320	-	1,270,401	25%
Claire Fidler	203,673	6,678	9,000	21,256	6,849	5,708	-	253,164	5%
Senior executives									
Peter Greer *	396,201	-	4,500	2,536	-	9,132	400,000	812,369	0%
Stuart Owen	405,264	75,868	9,000	23,100	30,137	9,589	-	552,958	19%
Patrick Rogers	297,054	35,879	9,000	21,575	15,068	7,420	-	385,996	13%
Total	**2,796,032**	**339,658**	**40,500**	**139,064**	**142,465**	**52,169**	**400,000**	**3,909,888**	

* Mr Greer's role was made redundant effective 31 December 2017

SECURITY HOLDINGS OF DIRECTORS AND EXECUTIVES

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

	BALANCE 30 JUNE 2018	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	ACQUIRED	BALANCE 30 JUNE 2019
Directors of NSH					
Laurence Brindle	1,342,120	-	-	181,368	1,523,488
Anthony Keane	158,235	-	-	21,383	179,618
Andrew Catsoulis	13,401,780	-	-	617,469	14,019,249
Howard Brenchley	50,000	-	-	6,757	56,757
Steven Leigh	81,900	-	-	-	81,900
Claire Fidler	8,938	-	-	1,208	10,146
Executives of NSH					
Stuart Owen	-	-	-	-	-
Patrick Rogers	5,163	-	-	-	5,163
Total	**15,048,136**	**-**	**-**	**828,185**	**15,876,321**

RELATED PARTY TRANSACTIONS

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

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Acquisitions

On 26 July 2019, the Group purchased two storage centre investment properties from APSF for $42.6 million, and reached an agreement to purchase a third asset from APSF for $21.35 million on completion of construction.

Capital Raise

On 2 July 2019, the Group issued 99,415,205 new stapled securities as a result of the $170 million equity raising announced on 25 June 2019. The Group received proceeds for this raising on 28 June 2019.

On 30 July 2019, the Group raised $13.5 million from a non-underwritten security purchase plan. This resulted in the issue of 7,917,735 new stapled securities.

ROUNDING

The amounts contained in this Directors' Report and in the Financial Report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Consolidated Group and NSPT Group are entities to which the ASIC Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act Cth 2001* is set out on page 55.

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

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services conducted during the financial year:

1.	Taxation services	$143,250
2.	Assurance related	$36,050

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

Fees paid to the Responsible Entity and its associates out of NSPT property during the year are disclosed in the Statement of Comprehensive Income and are detailed in Note 17 to the financial statements.

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

INTERESTS IN THE NSPT

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

This Directors' Report is made on 27 August 2019 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

Building a better working world

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 and its controlled entities

As lead auditor for the audit of the financial report of National Storage REIT and its controlled entities for the financial year ended 30 June 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ric Roach
Partner
27 August 2019

FINANCIAL STATEMENTS

NATIONAL STORAGE BUNDALL

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000 Restated
Revenue from rental income		144,147	126,093
Revenue from contracts with customers	5	13,510	12,250
Interest income	7	1,531	756
Total revenue		**159,188**	**139,099**
Employee expenses	6	(28,744)	(24,746)
Premises costs		(19,141)	(16,064)
Advertising and marketing		(4,243)	(5,313)
Insurance costs		(2,607)	(1,800)
Other operational expenses	6	(11,891)	(10,910)
Finance costs	7	(33,747)	(28,912)
Share of profit of joint ventures and associates	12	3,171	1,342
Fair value adjustments	10.4	84,663	92,368
Restructuring and other non-recurring costs		(1,538)	(1,310)
Profit before income tax		**145,111**	**143,754**
Income tax (expense)/ benefit	8	(271)	2,019
Profit after tax		**144,840**	**145,773**
Profit for the year attributable to:			
Members of National Storage Holdings Limited		5,406	1,771
Non-controlling interest (unitholders of NSPT)		139,434	144,002
		144,840	**145,773**
Basic and diluted earnings per stapled security (cents)	19	22.13	26.82

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	2019 $'000	2018 $'000
Profit after tax	**144,840**	**145,773**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	858	(370)
Net loss on cash flow hedges	(21,808)	(2,028)
Other comprehensive loss for the year, net of tax	**(20,950)**	**(2,398)**
Total comprehensive income for the year	**123,890**	**143,375**
Total comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	5,391	1,748
Unitholders of National Storage Property Trust	118,499	141,627
	123,890	**143,375**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9.1	178,842	21,333
Trade and other receivables	9.2	19,738	15,152
Inventories	10.1	682	656
Assets held for sale	10.2	1,107	5,713
Other current assets	9.3	7,014	5,424
Total current assets		**207,383**	**48,278**
Non-current assets			
Trade and other receivables	9.2	118	601
Property, plant and equipment	10.3	856	1,024
Investment properties	10.4	2,117,176	1,592,798
Investment in joint ventures and associates	12	16,731	18,125
Intangible assets	10.5	46,500	46,005
Deferred tax assets	8	2,980	1,019
Other non-current assets	9.3	569	2,099
Total non-current assets		**2,184,930**	**1,661,671**
Total assets		**2,392,313**	**1,709,949**
LIABILITIES			
Current liabilities			
Trade and other payables	9.4	18,993	12,318
Finance lease liability	9.7	5,327	4,446
Deferred revenue	10.6	12,719	12,584
Income tax payable		1,264	1,142
Provisions	10.7	2,463	1,930
Distribution payable	16	34,370	27,396
Other liabilities	9.6	713	3
Total current liabilities		**75,849**	**59,819**
Non-current liabilities			
Borrowings	9.5	843,927	596,410
Finance lease liability	9.7	163,827	156,942
Provisions	10.7	1,964	1,513
Deferred tax liability	8	1,097	606
Other liabilities	9.6	1,375	4,380
Total non-current liabilities		**1,012,190**	**759,851**
Total liabilities		**1,088,039**	**819,670**
Net assets		**1,304,274**	**890,279**
EQUITY			
Non-controlling interest (unitholders of NSPT)		1,188,147	813,558
Contributed equity	13	100,143	66,128
Other reserves	14	(27)	(12)
Retained earnings		16,011	10,605
Total equity		**1,304,274**	**890,279**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Attributable to securityholders of National Storage REIT

	Notes	Contributed equity $'000	Retained earnings $'000	Other reserves $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		**66,128**	**10,605**	**(12)**	**813,558**	**890,279**
Profit for the year		-	5,406	-	139,434	144,840
Other comprehensive income	14	-	-	(15)	(20,935)	(20,950)
Total comprehensive income		**-**	**5,406**	**(15)**	**118,499**	**123,890**
Issue of stapled securities via institutional and retail placements	13	16,498	-	-	158,927	175,425
Issue of stapled securities via distribution reinvestment plans	13	1,549	-	-	14,628	16,177
Contract for future issue of equity via institutional placement	13	16,451	-	-	153,549	170,000
Costs associated with issue of stapled securities		(690)	-	-	(6,562)	(7,252)
Deferred tax on cost of stapled securities	8	207	-	-	-	207
Distributions provided for or paid	16	-	-	-	(64,452)	(64,452)
		34,015	**-**	**-**	**256,090**	**290,105**
Balance at 30 June 2019		**100,143**	**16,011**	**(27)**	**1,188,147**	**1,304,274**
Balance at 1 July 2017		**59,145**	**8,834**	**11**	**664,627**	**732,617**
Profit for the year		-	1,771	-	144,002	145,773
Other comprehensive income	14	-	-	(23)	(2,375)	(2,398)
Total comprehensive income		**-**	**1,771**	**(23)**	**141,627**	**143,375**
Issue of stapled securities via institutional and retail placements	13	5,983	-	-	53,553	59,536
Issue of stapled securities via distribution reinvestment plans	13	926	-	-	8,654	9,580
Costs associated with issue of stapled securities		(166)	-	-	(1,476)	(1,642)
Deferred tax on cost of stapled securities	8	240	-	-	-	240
Distributions provided for or paid	16	-	-	-	(53,427)	(53,427)
		6,983	**-**	**-**	**7,304**	**14,287**
Balance at 30 June 2018		**66,128**	**10,605**	**(12)**	**813,558**	**890,279**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Operating activities			
Receipts from customers		174,782	150,094
Payments to suppliers and employees		(82,341)	(73,282)
Interest received		2,024	265
Income tax paid		(1,153)	(85)
Net cash flows from operating activities	9.1	**93,312**	**76,992**
Investing activities			
Purchase of investment properties		(416,648)	(168,733)
Proceeds on sale of investment property		26,961	6,820
Improvements to investment properties		(10,762)	(7,926)
Development of investment property under construction		(13,027)	(3,661)
Purchase of property, plant and equipment	10.3	(233)	(154)
Purchase of intangible assets		(777)	(590)
Distribution received from joint ventures and associates	12	5,064	1,016
Return of capital on sale of units in joint venture	12	3,000	-
Investments in associate and joint ventures	12	(3,499)	(7,440)
Net cash flows used in investing activities		**(409,921)**	**(180,668)**
Financing activities			
Proceeds from issue of stapled securities	13	345,425	59,536
Transaction costs on issue of stapled securities		(7,427)	(1,642)
Distributions paid to stapled security holders	15	(41,301)	(40,045)
Proceeds from borrowings		398,876	195,222
Repayment of borrowings		(155,100)	(76,820)
Payments associated with resetting interest rate swaps	9.5	(22,913)	-
Financing provided to joint venture	17	(4,125)	-
Payment of finance lease liabilities		(12,836)	(12,561)
Interest and other finance costs paid		(26,531)	(21,824)
Net cash flows from financing activities		**474,068**	**101,866**
Net increase / (decrease) in cash and cash equivalents		157,459	(1,810)
Net foreign exchange difference		50	(23)
Cash and cash equivalents at 1 July		21,333	23,166
Cash and cash equivalents at 30 June	9.1	**178,842**	**21,333**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. CORPORATE INFORMATION

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

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

The financial report of NSR for the year ended 30 June 2019 was approved on 27 August 2019, in accordance with a resolution of the Board of Directors of NSH.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The accounting policies applied by NSR in these financial statements are the same as the 30 June 2018 financial statements except for the accounting policies impacted by new or amended accounting standards detailed in this note.

The Group has elected to present only financial information relating to NSR within these financial statements. A separate financial report for the NSPT Group has also been prepared for the year ended 30 June 2019, this is available at www.nationalstorageinvest.com.au.

(b) Compliance with IFRS

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

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

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

The Group has applied, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*.

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

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue and related Interpretations* and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to, in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of the transition on the current and comparative periods was not material.

Under the full retrospective method, the comparative period's revenue classifications have been restated to present revenue streams under the requirements of AASB 15. The effect of these changes is limited to the reclassification of balances. There was no impact on the amount of revenue recognised. The Group did not apply any of the practical expedients available under the full retrospective method.

The timing of revenue recognition in the year ended 30 June 2019 has not been materially impacted following the adoption of AASB 15.

As required for the financial report information for the year ended 30 June 2019, the Group's revenue is disaggregated at the statement of profit or loss with the exception of Revenue from Contracts with Customers which is disaggregated into categories in note 5 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Sale of goods and services

The Group's contracts with customers for the sale of goods and services consist of one performance obligation. The Group has concluded that revenue from the sale of goods and services should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or service. Therefore, the adoption of AASB 15 has not had an impact on the timing of the revenue recognition.

Agency fees and commissions

The Group's contracts with customers for agency fees and commissions consist of one performance obligation. The Group has concluded that revenue from agency fees and commissions should be recognised at the point in time when the commission is generated and is receivable. Therefore, the adoption of AASB 15 has not had an impact on the timing of revenue recognition.

Design and development fees

The Group's design and development fees to customers consist of one performance obligation. The Group has concluded that revenue from design and development fees is to be recognised over time because the Group's performance creates or enhances an asset that the customer controls. The adoption of AASB 15 has not had an impact on the timing of revenue recognition.

Management fees

The Group's contracts with customers for management fees consist of recurring performance obligations to be recognised over the period of the management agreement. The adoption of AASB 15 has not had an impact on the timing of revenue recognition.

AASB 9 *Financial Instruments*

AASB 9 Financial Instruments replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied AASB 9 retrospectively. The effect of initial application was not material. The classification and measurement requirements of AASB 9 did not have a material impact on the Group.

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. AASB 9 requires the Group to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets. The adoption of the impairment aspect of the new standard did not have a material impact on the Group.

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The hedging requirements of AASB 9 did not have a material impact on the Group.

Other standards, amendments and interpretations

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial report of the Group. The Group has elected to early adopt AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business.* This Standard amends the definition of a business in *AASB 3 Business Combinations*. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrows the definitions of a business and of outputs, and introduces an optional fair value concentration test. This amendment has been applied to the Group's assessment on whether the acquisition of storage centres should be accounted for under AASB 3 *Business Combinations* or AASB140 *Investment Properties* as a purchase of investment property (see note 3).

The Group has not early adopted any other standards.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations relevant to the Group's operations, that have recently been issued or amended but are not yet effective or have not been adopted for the annual reporting year ended 30 June 2019 are outlined in the following table:

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 16	Leases	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months with the exception of low value assets. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The initial measurement includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from AASB 117. The Group is conducting an assessment of the impact of AASB 16 *Leases*, in relation to the Group's current commitments under operating leases. Due to the relative size of these commitments to the Group's total assets, adoption of AASB 16 is not expected to have a material impact on the Group's financial statements. The Group's leasehold investment properties will continue to be accounted for under AASB140 and will be unaffected by the application of AASB 16.	1 January 2019	1 July 2019
AASB 2018-1	Annual Improvements to IFRS Standards 2015-2017 Cycle	The amendments clarify certain requirements in: • AASB 3 *Business Combinations* and AASB 11 *Joint Arrangements* - previously held interest in a joint operation • AASB 112 *Income Taxes* - income tax consequences of payments on financial instruments classified as equity • AASB 123 *Borrowing Costs* - borrowing costs eligible for capitalisation.	1 January 2019	1 July 2019
AASB Interpretation 23, and relevant amending standards	Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses:	1 January 2019	1 July 2019

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
		• Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances.		
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	This Standard amends AASB 128 *Investments in Associates and Joint Ventures* to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019	1 July 2019
AASB 2019-1	Conceptual Framework for Financial Reporting and relevant amending standards	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts including: • The objective of financial reporting • Qualitative characteristics of useful financial information • Financial statements and the reporting entity • The elements of financial statements • Recognition and derecognition • Measurement • Presentation and disclosure • Concepts of capital and capital maintenance The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.	1 January 2020	1 July 2020
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends *AASB 10 Consolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2022	1 July 2022

Basis of consolidation

The Financial Report of NSR as at 30 June 2019 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

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

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control. The acquisition method of accounting is used to account for business combinations (see note 2 (g).

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

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

Associates

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

Joint arrangements

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

During the year ended 30 June 2019 and 30 June 2018, the Group had an arrangement, where the Group's equity interest exceeded 50%. This was classified as a joint venture as all parties are subject to a Securityholders Agreement that has been contractually structured such that the parties to the agreement have equal representation on the advisory board responsible for the overall direction, supervision and decision making of the entity.

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

Equity method

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

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss from associates and joint ventures is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit or loss of joint ventures and associates' in the consolidated statement of profit or loss. Upon loss of significant influence over an associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The specific recognition criteria described below must also be met before revenue is recognised.

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

Revenue from contracts with customers
Sale of goods and services
Revenue from the sale of goods is recognised on fulfilment of performance obligations. The Group recognises revenue from sale of goods and services when control of the asset is transferred to the customer, generally on delivery of the goods or service.

Agency fees and commission
The Group acts as an agent in the provision of insurance services provided by a third party insurance company to storage rental customers. The Group recognises revenue at the point in time when the commission is generated and is receivable.

Design and development fees
Revenue from the design, planning, and development management of the construction of storage facilities is recognised over time, as the Group's performance creates or enhances an asset the customer controls.

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

Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Taxes

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

NSPT is a 'flow through' entity for Australian income tax purposes and has elected into the Attribution Managed Investment Trust ("**AMIT**") rules from 1 July 2017, such that the determined tax components of NSPT will be taxable in the hands of unitholders on an attribution basis. NSPT's subsidiary National Storage New Zealand Property Trust ("**NSNZPT**") is an Australian registered trust which owns investment property in New Zealand. For New Zealand tax purposes NSNZPT is classed as a unit trust and is subject to New Zealand income tax.

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

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, when the timing of the reversal of temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The deferred tax liabilities in relation to freehold investment property measured at fair value is determined assuming the property value will be recovered entirely through a sale.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will not reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Tax consolidation legislation
NSH and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.
Accounting for the tax consolidation legislation

is only relevant for the individual financial statements of the parent entity (head entity) in the tax consolidated group, but not for the consolidated financial statements.

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

- When the GST incurred on a sale or purchase of assets is not payable or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or expense item or part of the cost of acquisition of the asset, as applicable.
- When receivables and payables are stated with the amount of GST included.

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

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

(f) Foreign currencies

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

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

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

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

(g) Business combinations and goodwill

The Group accounts for a transaction as a business combination if it meets the definition under AASB 3, which requires that the assets and liabilities acquired constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. In order to determine an integrated set of activities, an assessment of minimum business requirements and what substantive processes have been acquired, is applied.

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

(h) Leases

The determination of whether an arrangement is a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Group leases properties which are classified as investment properties (note 10.4). The Group also leases office premises and items of plant and equipment.

Leased investment properties and property, plant and equipment
Leases of investment property and property, plant and equipment, where the group as lessee has substantially all the risks and rewards

of ownership, are classified as finance leases. Leasehold investment property and property, plant and equipment finance leases are capitalised at the lease's inception at the fair value of the leased property.

The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at fair value. Changes in value are presented in profit or loss.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Group as lessor
Lease income from operating leases where the group is a lessor is recognised in revenue less any amount contractually refundable to customers over the term of lease.

(i) Cash and cash equivalents

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

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

(j) Inventories

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

(k) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement

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

Financial assets held at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, and deposits.

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

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss
This category includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

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

Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

The Group recognises an ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset to be at risk of default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(l) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. Where there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Derivative financial instruments and hedge accounting

Initial recognition and measurement

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

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

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

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

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

From 1 July 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 9.8. Movements in the hedging reserve in equity are shown in note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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

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

Before 1 July 2018, the Group designated all of the forward contracts as hedging instruments. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

From 1 July 2018, the Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in other comprehensive income are accounted for depending on the nature of the underlying hedged transaction.

The amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

(n) Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or;
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component asset is derecognised when replaced. All repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

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

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

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

(p) Investment properties

Freehold investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property, plant and equipment the deemed cost for subsequent accounting is the fair value at the date of change in use. If property, plant and equipment becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold investment properties
The NSH Group, as lessee, has properties under operating leases that, in accordance with AASB 140 *Investment Property*, qualify for treatment as investment properties. Under this treatment, for each property, the present value of the minimum lease payments is determined and carried as a lease liability as if it were a finance lease and the fair value of the lease to the NSH Group is recorded each period as investment property under an operating lease.

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

Lease payments are allocated between the principal component of the lease liability and interest expense so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognised in finance costs in the consolidated statements of profit and loss and within payment of finance lease liabilities within the consolidated statements of cash flows.

(q) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

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

Intangible assets with indefinite useful lives, such as goodwill, are not amortised but are tested for impairment at each reporting period, either individually or at the CGU level. The assessment of indefinite life is reviewed at each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

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

(r) Impairment of assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU's). Non-financial assets other than goodwill that have been impaired in previous periods are reviewed for possible reversal of the impairment at the end of each reporting period.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

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

In accordance with lease agreements, the Group must restore the leased premises in a number of leasehold premises to its original condition at lease expiry. A provision has been recognised for the obligation to remove leasehold improvements from the leased premises (note 10.7).

(t) Employee benefits

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

Other long-term employee benefits obligations
The Group does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to previous experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations
All employees can direct the Group to make contributions to a defined contribution plan of their choice. Contributions to defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(u) Contributed equity

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

(v) Dividends and distributions to securityholders

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

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

(w) Rounding of amounts

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

(x) Parent entity financial information

The financial information for the parent entity, NSH, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

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

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

(y) Fair value measurement

The Group measure financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For further details on fair value refer to notes 9.8 and 10.8.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Significant judgements

Acquisition of storage centre assets
For the acquisition of storage centres, the Group's policy is to review the nature of the transaction and assess if the transaction should be accounted for under *AASB 3 Business Combinations* or *AASB 140 Investment Properties* as a purchase of investment property. The key assessment is whether the transaction constitutes a purchase of a 'business', if so it will be accounted for under AASB 3. If it is determined that the transaction does not meet this definition, the transaction is accounted for as a purchase of an asset under AASB 140, as an acquisition of a storage centre(s) held for rental return and capital appreciation.

As described in note 2c, the Group has elected to early adopt the amendments to a definition of a business contained in AASB 2018-6. As well as providing clarity on what is considered as a business this amendment adds an operational concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

For the years ended 30 June 2019 and 30 June 2018, the Group has assessed that all of its storage centre acquisitions do not meet the definitions set out in AASB 3 and are therefore accounted for as purchases of investment property per AASB 140 as detailed in note 10.4.

Deferred income tax
Deferred tax assets are recognised by the Group for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses which arose in Australia and are available for offsetting against future taxable profits of the NSH Australian tax group. These losses are subject to the satisfaction of the same business test and a reduced rate of utilisation under the 'available fraction' rules. The Group has assessed the expected utilisation profile of these tax losses based upon forecasted levels of future profits within the NSH Australian tax consolidated group and have recognised a deferred tax asset where it is probable that there will be sufficient future taxable profits in the Group against which this deferred tax asset will be recovered. The Group has not recognised a deferred tax asset on a proportion of these losses where the future utilisation of these is more uncertain.

Classification of joint arrangements
The NSPT Group holds a 25% interest in the Bundall Storage Trust, and the NSH Group holds a 25% interest in the Bundall Commercial Trust.

In each arrangement, 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 and whereby, decisions about the relevant activities require the unanimous consent of the parties sharing control.

Estimates and assumptions

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

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

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss under fair value adjustments. Fair values are determined by a combination of independent valuations assessed on a rotational basis and Director valuations, determined using the same techniques and similar estimates to those applied by the independent valuer. The key assumptions used to determine the fair value of the properties and the sensitivity analyses are provided in note 10.8.

Impairment of non-financial assets – intangibles
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the fair value of the Group's stapled securities as listed on the Australian Securities Exchange which has been assessed as one CGU for goodwill impairment assessment purposes, less costs of disposal.

4. SEGMENT INFORMATION

During the 2019 and 2018 financial years, the Group operated wholly within one business segment being the operation and management of storage centres in Australia and New Zealand.

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

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

Geographic information

	2019 $'000	2018 $'000
Revenue from external customers		
Australia	144,621	129,431
New Zealand	13,036	8,912
Total	157,657	138,343

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

Geographic information

	2019 $'000	2018 $'000
Non-current operating assets		
Australia	1,881,060	1,503,585
New Zealand	239,518	92,288
Total	2,120,578	1,595,873

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

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

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 $'000	2018 $'000 Restated
Revenue from contracts with customers		
Sale of goods and services	5,137	6,846
Agency fees and commissions	2,330	2,100
Design and development fees	3,544	2,465
Management fees	2,499	839
Total revenue from contracts with customers	13,510	12,250

6. EXPENSES AND OTHER INCOME

	Notes	2019 $'000	2018 $'000
Other operational expenses			
Professional fees		2,025	1,898
Information technology costs		1,904	1,598
Cost of packaging and other products sold		1,839	1,863
Communications costs		1,688	1,716
Bank charges		965	840
Motor vehicle expenses		771	476
Depreciation of non-current assets	10.3	395	357
Amortisation of intangible assets	10.5	584	395
Travel and entertainment		630	455
Other		1,090	1,312
Total other operational expenses		11,891	10,910
Employee expenses			
Wages and salaries		22,069	19,748
Post-employment benefits		1,955	1,706
Other employee costs		4,720	3,292
Total employee expenses		28,744	24,746
Minimum lease payments recognised as an operating lease expense		687	609
Fair value adjustments	10.4	84,663	92,368

7. INTEREST INCOME AND FINANCE COSTS

	2019 $'000	2018 $'000 Restated
Interest income		
Bank interest	797	250
Interest income from related parties	734	506
Total interest income	1,531	756
Finance costs		
Interest on borrowings	25,838	20,634
Finance charges on finance leases	7,815	8,271
Unwinding of discount rates on provisions	94	7
Total finance costs	33,747	28,912

8. INCOME TAX

NSPT is a 'flow through' entity for Australian income tax purposes and has elected into the AMIT rules from 1 July 2017, 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%. Future distributions from NSNZPT to NSPT may have attached Foreign Income Tax Offsets, which when subsequently distributed by NSPT may be claimed by an Australian tax resident, depending on their personal circumstances.

The major components of income tax expense / (benefit) for the years ended 30 June 2019 and 30 June 2018 are:

	Notes	2019 $'000	2018 $'000
Consolidated statement of profit or loss			
Current tax		1,762	1,365
Deferred tax		(1,491)	(3,384)
Total income tax expense / (benefit)		271	(2,019)
Deferred tax relating to items recognised in other comprehensive income during the year			
Net loss on revaluation of cash flow hedges	14	(290)	(84)
Deferred tax relating to items recognised in statement of changes in equity during the year			
Cost of issuing share capital		(207)	(240)
Reconciliation of tax expense and accounting profit multiplied by Australia's domestic tax rate for 2019 and 2018:			
Profit before tax		145,111	143,754
Deduct profit before tax from Trusts owning Australian property		(136,002)	(141,015)
Accounting profit before income tax		9,109	2,739
Tax at the Australian tax rate of 30% (2018 – 30%)		2,733	822
Non-assessable income		(2,594)	(1,367)
Adjustments in respect of previous years		59	(810)
Other non-deductible expenses		498	66
Recognition of previously unrecognised tax losses		(342)	(679)
Effect of lower tax rates in New Zealand		(83)	(51)
Income tax expense / (benefit)		271	(2,019)

	2019 $'000	2018 $'000
Deferred tax benefit included in income tax benefit comprises:		
Increase in deferred tax assets	(85,700)	(10,556)
Increase in deferred tax liabilities	84,230	7,301
Movement of deferred tax asset on carry forward losses shown in current tax expense	(487)	(453)
Exchange variations	(31)	-
Movement in deferred tax asset recognised in other comprehensive income	290	84
Movement in deferred tax asset recognised in statement of changes in equity	207	240
Total deferred tax benefit	(1,491)	(3,384)
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Lease liability	274,105	190,473
Employee benefits	669	528
Accrued expenses	506	349
Carry forward losses	1,509	1,644
Formation expenses	402	200
Make good provisions	434	333
Revaluation of cash flow hedges	425	130
Revaluation of investment property assets	2,970	1,634
Other	20	49
Total deferred tax assets	281,040	195,340
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Prepayments	12	12
Other receivables	520	232
Intangibles	305	-
Revaluations of investment properties	278,276	194,677
Unrealised foreign exchange losses	44	6
Total deferred tax liabilities	279,157	194,927
Net deferred tax asset	1,883	413
Reconciliation to statement of financial position		
Deferred tax asset	2,980	1,019
Deferred tax liability	(1,097)	(606)
Net deferred tax asset	1,883	413

The Group offsets tax assets and liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax asset and deferred tax liabilities relate to income taxes levied by the same tax authority. The deferred tax balances above reflect NSH Group and NSNZPT's tax obligations and in some instances are calculated with reference to the tax base of balances that are eliminated on group consolidation but still have a tax impact on a taxpayer basis.

The Group has total gross tax losses which arose in Australia of $9,323,545 (2018: $10,947,456). These losses are available for offsetting against future taxable profits of the NSH Australian tax group. These losses are subject to the satisfaction of the same business test and a reduced rate of utilisation under the 'available fraction' rules. The Group has assessed the expected utilisation profile of these tax losses and has recognised a deferred tax asset of $1,499,318 (2018: $1,644,002) on NSH Australian group tax losses of $4,997,727 (2018: $5,480,006) on the basis it is probable that there will be sufficient future taxable profits in the Group against which this deferred tax asset will be recovered (see note 3).

The NSH Australian group also has gross tax losses of $4,325,818 (2018: $5,467,450) for which a deferred tax asset has not been recognised, as the future utilisation of these losses is more uncertain.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's current and non-current financial instruments including:

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

The Group hold the following financial instruments:

	Notes	2019 $'000	2018 $'000
Financial assets			
At amortised cost			
Cash and cash equivalents	9.1	178,842	21,333
Trade and other receivables	9.2	19,856	15,753
Deposits	9.3	1,178	1,074
		199,876	38,160
Measured at fair value			
Derivatives used for hedging – at fair value through other comprehensive income	9.3	569	2,186
Total financial assets		200,445	40,346
Financial liabilities			
At amortised cost			
Trade and other payables	9.4	18,993	12,318
Borrowings	9.5	847,838	600,348
Finance leases	9.7	169,154	161,388
		1,035,985	774,054
Measured at fair value			
Derivatives used for hedging	9.6	2,088	4,383
Total financial liabilities		1,038,073	778,437

The Group's approach to financial risk management is discussed in note 15. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

All derivatives have been designated as cash flow hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The derivatives above relate to interest rate swaps and forward currency exchange contracts held by the Group, for further details see note 9.5.

9.1. Cash and cash equivalents

	2019 $'000	2018 $'000
Current assets		
Cash on hand	50	46
Cash at bank	178,792	21,287
Total cash and cash equivalents	178,842	21,333

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

	2019 $'000	2018 $'000
Profit after income tax	144,840	145,773
Income tax expense / (benefit)	271	(2,019)
Profit before tax	145,111	143,754
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	395	357
Amortisation of intangible assets	584	395
Fair value adjustments	(84,663)	(92,368)
Share of profit of joint ventures and associates	(3,171)	(1,342)
Loss on disposal of property, plant and equipment	8	-
Finance income	(1,532)	(757)
Finance costs	33,746	28,912
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	1,119	(3,579)
Increase in inventories	(26)	(56)
Increase in other assets	(1,780)	(1,472)
Increase in payables	2,128	2,600
Increase in deferred revenue	135	999
Increase / (decrease) in provisions	387	(631)
Cash flows from operating activities	**92,441**	**76,812**
Interest received	2,024	265
Income tax paid	(1,153)	(85)
Net cash flows from operating activities	**93,312**	**76,992**

9.2. Trade and other receivables

	Notes	2019 $'000	2018 $'000
Current			
Trade receivables		3,770	3,054
Allowance for expected credit losses		(135)	(23)
		3,635	3,031
Other receivables		4,223	4,082
Receivables from related parties	17	11,880	8,039
		19,738	15,152
Non-current			
Other receivables		118	601
Total current and non-current		19,856	15,753

Classification as trade and other receivables

Trade receivables are amounts due from customers for rental income, goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The allowance for expected credit losses represents an estimate of receivables that are not considered to be recoverable. For the year ended 30 June 2019 the Group has recognised an expected loss provision following the adoption of AASB 9 *Financial Instruments*. The Group recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group assesses this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors. At 30 June 2018, the Group recognised a provision for trade receivables relating to receivables acquired on the purchase of investment properties where there are specific risks around recoverability.

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

See note 17 for terms and conditions relating to related party receivables.

	2019 $'000	2018 $'000
At 1 July	23	42
Charge for the year	165	-
Recognised on acquisition of investment properties	-	79
Utilised	(53)	(98)
At 30 June	135	23

The age of trade receivables not impaired was as follows:

	2019 $'000	2018 $'000
0 to 3 months	3,534	2,590
3 to 6 months	82	312
Over 6 months	19	129
	3,635	3,031

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

9.3. Other assets

	2019 $'000	2018 $'000
Current		
Deposits	1,178	1,074
Prepayments	5,836	4,263
Financial assets (derivatives)	-	87
	7,014	5,424
Non-current		
Financial assets (derivatives)	569	2,099
Total current and non-current	7,583	7,523

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

9.4. Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables	3,486	4,184
Accrued expenses	6,706	2,717
GST and employment taxes payable	2,644	1,256
Other payables	6,157	4,161
Total	18,993	12,318

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

9.5. Borrowings

	2019 $'000	2018 $'000
Non-current		
Bank finance facility	847,838	600,348
Non-amortised borrowing costs	(3,911)	(3,938)
Total borrowings	843,927	596,410

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

	2019 $'000	2018 $'000
Bank finance facilities (AUD)		
Drawn amount	663,800	520,300
Facility limit	680,000	605,000
Bank finance facilities (NZD)		
Drawn amount	192,250	87,500
Facility limit	196,750	121,000
AUD equivalent of NZD facilities		
Drawn amount	184,038	80,048
Facility limit	188,346	110,696

The major terms of these agreements are as follows:

- Maturity dates on the facilities range from 23 July 2020 to 23 December 2026 (2018: 23 July 2019 to 23 December 2026).
- The interest rate applied is the bank bill rate plus a margin depending on the gearing ratio.
- Security has been granted over the Group's freehold investment properties.

The Group has a bank overdraft facility with a limit of $3m that was undrawn at 30 June 2019 and 30 June 2018. During the year ended 30 June 2019, the Group converted an existing AUD facility of $25m into an NZD facility of $25.75m, refinanced part of the existing debt facilities, and increased its club banking facilities by AUD $100m and NZD $50m (year ended 30 June 2018 facilities increased by $150m AUD and $25m NZD).

The Group have complied with the financial covenants of their borrowing facilities during the 2019 and 2018 reporting periods (see note 16). The fair value of borrowings approximates carrying value. Details of the exposure to risk arising from current and non-current borrowings are set out in note 15.

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

	2019 $'000	2018 $'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	400,000	270,000
Future interest rate swaps	275,000	400,000
Interest rate swaps (NZD) at face value		
Current interest rate swaps	73,500	53,500
Future interest rate swaps	50,000	100,000
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	70,361	48,944
Future interest rate swaps	47,864	91,485

Future interest rate swaps in place at the end of the reporting period have maturity dates ranging from 23 September 2019 to 23 September 2026 (2018: 24 September 2018 to 23 September 2026).

On 24 June 2019, the Group reset the interest rates associated with AUD denominated interest rate swaps. This resulted in a cash outflow of $22.9m which reduced the Group's financial liability presented in note 9.8. The cumulative change in fair value of these hedging instruments is carried in a separate reserve in equity (cash flow hedge reserve of NSPT presented within non-controlling interest in the Group's consolidated statement of changes in equity). This balance will be recycled from the hedge reserve to finance costs in the statement of profit and loss in future reporting periods corresponding to when the underlying hedged item impacts profit or loss. For the year ended 30 June 2019, $0.1m has been recognised in finance costs relating to this item.

Hedge of net investments in foreign operations
Included in borrowings at 30 June 2019 was NZD $47.9m (AUD $45.9m) which has been designated as a hedge of the net investments against the value of the New Zealand tangible assets (2018: NZD $27.2m, (AUD $24.9m)). This borrowing is being used to hedge the Group's exposure to the NZD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no hedge ineffectiveness in the years ended 30 June 2019 or 30 June 2018 recognised in the statement of profit or loss.

9.6. Other liabilities

	Notes	2019 $'000	2018 $'000
Current financial liabilities			
Interest rate swaps	9.8	239	3
Forward currency exchange contract	9.8	474	-
		713	3
Non-current financial liabilities			
Interest rate swaps	9.8	1,375	4,380
Total current and non-current		2,088	4,383

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

9.7. Finance leases

The Group has finance leases for investment properties. These leases have terms of renewal but no purchase options. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments are as follows:

	2019		2018	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Consolidated Group				
Within one year	13,218	5,327	12,321	4,446
After one but not more than five years	53,552	25,234	51,716	23,321
More than five years	237,618	138,593	228,857	133,621
Minimum lease payments	304,388	169,154	292,894	161,388
Future finance charges	(135,234)	-	(131,506)	-
Total	169,154	169,154	161,388	161,388

9.8. Financial instruments fair value measurement

Fair value hierarchy
This note explains the judgements and estimates made in determining the fair values of the financial instruments recognised in the financial statements, as detailed in notes 9.1 to 9.7. To provide an indication about the reliability of the inputs used in determining fair value, financial instruments are classified into the following three levels.

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

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

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

Specific fair valuation techniques used to determine fair values include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves, adjusted for counterparty or own credit risk.
- The fair value of forward currency exchange contracts is based on market observable inputs to obtain a present value. Incorporated into the calculation are various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

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

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2019					
Derivatives used for hedging – forward currency exchange contract					
Current financial liabilities	9.6	-	(474)	-	(474)
Derivatives used for hedging - interest rate swaps					
Non-current financial assets	9.3	-	569	-	569
Current financial liabilities	9.6	-	(239)	-	(239)
Non-current financial liabilities	9.6	-	(1,375)	-	(1,375)
		-	(1,045)	-	(1,045)
At 30 June 2018					
Derivatives used for hedging - Interest rate swaps					
Current financial assets	9.3	-	87	-	87
Non-current financial assets	9.3	-	2,099	-	2,099
Current financial liabilities	9.6	-	(3)	-	(3)
Non-current financial liabilities	9.6	-	(4,380)	-	(4,380)
		-	(2,197)	-	(2,197)

There were no transfers between levels of fair value hierarchy during the years ended 30 June 2019 and 30 June 2018.

10. NON-FINANCIAL ASSETS AND LIABILITIES

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

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

10.1. Inventories

	2019 $'000	2018 $'000
Finished goods - at lower of cost and net realisable value	682	656

10.2. Assets held for sale

	Notes	2019 $'000	2018 $'000
Current assets			
Opening balance at 1 July		5,713	5,713
Item reclassified from freehold investment property	10.4	2,068	4,400
Item reclassified to freehold investment property	10.4	(5,713)	-
Disposals during the year		(961)	(4,400)
Total assets held for sale		**1,107**	**5,713**

On 21 December 2018, the Group entered into an agreement for the divestment of a component of freehold investment property in Melbourne, Victoria for $1m. This has been included within fair value adjustments in the statement of profit or loss. This transaction settled on 15 January 2019.

On 28 June 2019, the Group entered into an agreement for the sale of commercial investment property in Dunedin, New Zealand for NZD $1.3m less cost of sale of NZD $0.1m (AUD $1.2m less cost of sale of $0.1m). This has resulted in an unrealised gain of NZD $1.2m (AUD $1.1m) on the asset's carrying value. This has been included within fair value adjustments in the statement of profit or loss.

As at 1 July 2018, the Group held a contractual agreement for the sale of the land and buildings of the Croydon self-storage centre for $5.8m, less cost of sale of $0.1m. This resulted in this asset being classified as held for sale. Due to unforeseen circumstances outside of the Group's control this transaction did not proceed. At 30 June 2019 the asset has been classified as freehold investment property and is no longer held for sale.

10.3. Property, plant and equipment

	2019 $'000	2018 $'000
At cost	1,911	1,708
Accumulated depreciation	(1,055)	(684)
Total property, plant and equipment	856	1,024

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial period is shown below:

	Notes	2019 $'000	2018 $'000
Plant and equipment			
Carrying amount at beginning of the year		1,024	1,229
Additions		233	154
Disposals		(8)	-
Depreciation	6	(395)	(357)
Effect of movement in foreign exchange		2	(2)
Carrying amount at end of the year		856	1,024

10.4. Investment properties

	Notes	2019 $'000	2018 $'000
Investment properties at valuation			
Leasehold investment properties	10.8	215,279	207,664
Freehold investment properties	10.8	1,874,698	1,377,924
Investment property at cost			
Freehold investment property under construction		27,199	7,210
Total investment properties		2,117,176	1,592,798
Leasehold investment properties			
Opening balance at 1 July		207,664	226,955
Property acquisitions		10,911	-
Improvements to investment properties		417	631
Items reclassified to freehold investment properties		-	(2,000)
Disposal of leasehold investment property		-	(2,140)
Reassessment of lease terms		8,196	(2,476)
Finance lease diminution, presented as fair value adjustments		(3,548)	(4,020)
Net loss from other fair value adjustments		(8,361)	(9,286)
Closing balance at 30 June		215,279	207,664
Freehold investment properties at valuation			
Opening balance at 1 July		1,377,924	1,101,860
Property acquisitions		381,319	165,726
Disposal of freehold investment property		(26,000)	(280)
Improvements to investment properties		9,301	7,513
Items reclassified from leasehold investment properties		-	2,000
Items reclassified from freehold investment property under construction		26,972	2,301
Items reclassified to assets held for sale	10.2	(2,068)	(4,400)
Items reclassified from assets held for sale	10.2	5,713	-
Net gain from fair value adjustments		97,232	106,229
Effect of movement in foreign exchange		4,305	(3,025)
Closing balance at 30 June		1,874,698	1,377,924
Freehold investment property under construction at cost			
Opening balance at 1 July		7,210	2,063
Property acquisitions		33,122	-
Development costs		13,839	7,448
Items reclassified to freehold investment properties		(26,972)	(2,301)
Closing balance at 30 June		27,199	7,210

	Notes	2019 $'000	2018 $'000
Gains for the year in profit or loss (recognised in fair value adjustments)			
Realised gains		2,737	2,751
Realised losses – finance lease diminution of leasehold property		(3,548)	(4,020)
Unrealised gains associated with investment property		86,134	94,192
Movement in provisions presented in fair value adjustments	10.7	(660)	(555)
		84,663	92,368

Included within net gain from fair value adjustments are realised gains of $2,737,000 and unrealised gains of $1,107,000 relating to the divestment of freehold investment properties during the year ended 30 June 2019 (30 June 2018: realised gain of $2,040,000 relating to leasehold investment properties and $711,000 relating to freehold investment properties).

10.5. Intangible assets

	Notes	2019 $'000	2018 $'000
Goodwill			
Opening and closing net book value		43,954	43,954
Other intangible assets			
Opening net book value		2,051	1,582
Additions		1,079	864
Amortisation	6	(584)	(395)
Closing net book value		2,546	2,051
Total intangible assets		46,500	46,005

Impairment testing of goodwill

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

The recoverable amount of the listed group has been determined based on the fair value less costs of disposal method using the fair value quoted on an active market. As at 1 July 2019, NSR had 773,343,956 stapled securities quoted on the Australian Securities Exchange at $1.745 per security providing a market capitalisation of $1,349.5m. This amount is in excess of the carrying amount of the Group's net assets at 30 June 2019 which includes the contract for future issue of equity recognised as contributed equity within the statement of financial position at this date (see note 13). Had the security price decreased by 2.5% the market capitalisation would still have been in excess of the carrying amount.

10.6. Deferred revenue

	2019 $'000	2018 $'000
Deferred revenue from rental income	12,719	12,584

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

10.7. Provisions

	2019 $'000	2018 $'000
Current		
Onerous operating lease	-	85
Make good provisions	301	156
Annual leave	1,166	962
Long service leave	996	727
	2,463	1,930
Non-current		
Make good provisions	1,888	1,436
Long service leave	76	77
	1,964	1,513
Reconciliation of movement in make good provisions		
Opening balance	1,592	1,030
Arising during the year	318	-
Changes in discount rates	342	555
Unwinding of discount rates	94	7
Utilised	(157)	-
Closing balance	2,189	1,592

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

10.8. Non-financial assets fair value measurement

The Group has classified its non-financial assets held at fair value into the three levels prescribed in note 9.8 to provide an indication about the reliability of inputs used to determine fair value.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2019					
Assets held for sale	10.2	-	1,107	-	1,107
Leasehold investment properties	10.4	-	-	215,279	215,279
Freehold investment properties	10.4	-	-	1,874,698	1,874,698
		-	1,107	2,089,977	2,091,084
At 30 June 2018					
Assets held for sale	10.2	-	5,713	-	5,713
Leasehold investment properties	10.4	-	-	207,664	207,664
Freehold investment properties	10.4	-		1,377,924	1,377,924
		-	5,713	1,585,588	1,591,301

Recognised fair value measurements

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. During the year ended 30 June 2019 the Group transferred $2.1m from level 3 to level 2 following the reclassification of assets from freehold investment properties to assets held for sale, and $5.7m from level 2 to level 3 following the reclassification of assets from assets held for sale to freehold investment properties, as detailed in note 10.2.

In the prior year ended 30 June 2018 the Group transferred $4.4m from level 3 to level 2 following the reclassification of an asset from freehold investment properties to assets held for sale.

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 years ended 30 June 2019 and 30 June 2018, the Group has valued assets classified as held for sale at the contractually agreed sales price less estimated cost of sale or other observable evidence of market value.

Fair value measurements using significant unobservable inputs (level 3)

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

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

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years unless the underlying financing requires a more frequent valuation cycle. For properties subject to an independent valuation report the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Director valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

The Group obtains the majority of its external independent valuations at each financial year end. The Group's policy is to maintain the valuation of the investment property valued in the preceding year at external valuation, unless there is an indication of a significant change to the property's valuation inputs.

The table below details the percentage of the number of investment properties subject to internal and external valuations during the current and comparable reporting periods

	External valuation %	Internal valuation %
Year ended 30 June 2019		
Leasehold	23%	77%
Freehold	38%	62%
Year ended 30 June 2018		
Leasehold	60%	40%
Freehold	27%	73%

The Group also obtained external valuations on 31 freehold investment properties acquired during the year ended 30 June 2019 (year ended 30 June 2018: 19 freehold investment properties). These external valuations provide the basis of the Directors' valuations applied to these properties at 30 June 2019 and 30 June 2018. Including these valuations, 51% of freehold investment properties were subject to external valuations during the year (year ended 30 June 2018: 43% of freehold investment properties).

Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs	Range at 30 June 2019	Range at 30 June 2018
Investment properties - leasehold	Capitalisation method	Primary capitalisation rate	7.5% to 40.5%	7.8% to 45.0%
		Secondary capitalisation rate	8.0% to 41.0%	8.8% to 46.0%
		Sustainable occupancy	83% to 93%	80% to 95%
		Stabilised average EBITDA	$364,642	$365,213
Investment properties - freehold	Capitalisation method	Primary capitalisation rate	6.0% to 8.2%	6.5% to 8.3%
		Secondary capitalisation rate	6.5% to 9.3%	7.0% to 9.5%
		Sustainable occupancy	74% to 98%	72% to 95%
		Stabilised average EBITDA	$912,261	$898,767

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 and the additional costs required to deliver this additional value.

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

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

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

At 30 June 2019:

Unobservable inputs	Leasehold Increase/ (decrease) in input	Leasehold Increase/ (decrease) In fair value $'000	Freehold Increase/ (decrease) in input	Freehold Increase/ (decrease) in fair value $'000
Primary capitalisation rate	1% / (1%)	(3,790) / 4,710	1% / (1%)	(188,200) / 254,780
Secondary capitalisation rate	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)

At 30 June 2018:

Unobservable inputs	Leasehold Increase/ (decrease) in input	Leasehold Increase/ (decrease) In fair value $'000	Freehold Increase/ (decrease) in input	Freehold Increase/ (decrease) in fair value $'000
Primary capitalisation rate	1% / (1%)	(5,600) / 7,400	1% / (1%)	(165,546) / 218,802
Secondary capitalisation rate	2% / (2%)	(1,600) / 2,900	2% / (2%)	(37,357) / 62,981
Sustainable occupancy	5% / (5%)	5,100 / (4,200)	5% / (5%)	101,181 / (83,464)
Stabilised average EBITDA	5% / (5%)	2,400 / (2,200)	5% / (5%)	61,570 / (55,370)

11. INFORMATION RELATING TO SUBSIDIARIES

The holding entities

The ultimate holding company of the NSH Group is National Storage Holdings Limited. The holding entity of the NSPT Group is National Storage Property Trust. These two entities are domiciled in Australia and through a stapling agreement are jointly quoted on the ASX.

The consolidated financial statements of the Group as at 30 June 2019 include:

Name of controlled entity	Place of incorporation	Equity interest 2019	Equity interest 2018
National Storage (Operations) Pty Ltd	Australia	100%	100%
National Storage Financial Services Limited	Australia	100%	100%
Wine Ark Pty Ltd	Australia	100%	100%
Southern Cross Storage Operations Pty Ltd	Australia	100%	100%
National Storage Investments Pty Ltd	Australia	100%	100%
National Storage Limited	New Zealand	100%	100%
National Storage Investment Trust	Australia	100%	100%
National Storage Victorian Property Trust	Australia	100%	100%
National Storage New Zealand Property Trust*	Australia	100%	100%
National Storage Southern Trust	Australia	100%	100%

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

12. INTEREST IN JOINT VENTURES AND ASSOCIATES

Interest in joint ventures

	2019 $'000	2018 $'000
Opening balance at 1 July	7,432	1,980
Capital contribution / acquisition of shareholding in joint venture	3,499	5,392
Share of profit from joint ventures	1,476	60
Distributions received from joint venture	(5,064)	-
Disposal of units in joint venture	(3,000)	-
Closing balance at 30 June	4,343	7,432

The NSPT Group holds a 25% (2018: 25%) interest in the Bundall Storage Trust, and the NSH Group holds a 25% interest in the Bundall Commercial Trust.

During the year ended 30 June 2019, the Group contributed a further $1.3m into the Bundall Storage Trust and $2.2m into the Bundall Commercial Trust as part of a capital raise. There was no change in the total share of the Group's interest in either Trust following this investment.

On 21 June 2019, the Group purchased two storage centre investment property assets from the Bundall Storage Trust for $43.7m.

On 21 June 2019, the Bundall Storage Trust purchased a site for a proposed storage centre development from the Group for $8.2m and the Bundall Commercial Trust purchased a commercial property from the Group for $17.8m.

As at 30 June 2019 the Bundall Storage Trust has one storage centre investment property asset under construction. The Bundall Commercial Trust derives rental property income from the leasing of commercial units.

During the year ended 30 June 2018, the Group subscribed to 83.3% of the units in FKS Investments No.2 Unit Trust ("**FKS**"). FKS subsequently purchased a storage centre investment property asset in Queensland, Australia. On 28 June 2019, the Group sold its units in FKS for $3m.

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.

None of the Group's joint ventures are listed on any public exchange.

None of the Group's other joint ventures have any capital commitments at 30 June 2019. None of the Group's joint ventures had any contingent liabilities at 30 June 2019.

Interest in associates

	2019 $'000	2018 $'000
Opening balance at 1 July	10,693	8,611
Capital contribution / acquisition of shareholding in associates	-	2,048
Share of profit from associates*	1,695	1,282
Distributions from associate	-	(1,248)
Closing balance at 30 June	12,388	10,693

**Included within share of profit from associates is $1,917,000 representing NSR's share of fair value gains related to investment properties held by joint ventures and associates (30 June 2018: $1,383,000).*

The Group owns 24.9% (2018: 24.9%) of the Australia Prime Storage Fund ("**APSF**"). APSF is a partnership with Universal Self Storage to facilitate the development and ownership of multiple premium grade self-storage centres in select cities around Australia.

During the year ended 30 June 2019, National Storage (Operations) Pty Ltd earned fees of $0.8m from APSF associated with the design, development, financing of the construction process, and ongoing management of centres (see note 17) (30 June 2018: $0.7m).

As at 30 June 2019, APSF had two operating centres in Queensland, Australia, with a third asset under construction in Victoria, Australia.

Following the financial year end, on 26 July 2019, the Group purchased two storage centre investment properties from APSF for $42.6m, and reached an agreement to purchase a third asset for $21.35m on completion of construction (see note 23). During the year ended 30 June 2018, the Group purchased a storage centre investment property asset in Queensland, Australia from APSF for $14m.

As at 30 June 2019, APSF had contractual commitments of $2.8m in place for the construction of one storage centre in Victoria, Australia. Neither associate had any contingent liabilities or any other capital commitments at 30 June 2019 or 30 June 2018.

The Group holds a 24% (30 June 2018: 24.8%) holding in Spacer Marketplaces Pty Ltd ("**Spacer**"). Spacer operate online peer-to-peer marketplaces for self-storage and parking.

13. CONTRIBUTED EQUITY

	2019 $'000	2018 $'000
Issued and paid up capital	83,692	66,128
Contract for future issue of equity	16,451	-
Total contributed equity	100,143	66,128

Number of stapled securities on Issue	**2019**	**2018**
Opening balance at 1 July	559,107,042	512,913,914
Institutional and retail placement	105,677,937	39,712,882
Distribution reinvestment plan	9,143,772	6,480,246
Closing balance at 30 June	673,928,751	559,107,042

Capital raise
On 4 September 2018, the Group undertook a fully underwritten $175.4m equity raising. This resulted in the issue of 105,677,937 new stapled securities (2018: $59.5m equity raising resulting in the issue of 39,712,882 stapled securities).

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 has been recognised as a contract for future issue of equity under AASB 132 and has been recognised as contributed equity within the statement of financial position. This resulted in the issue of 99,415,205 new stapled securities on 1 July 2019. These securities are not reflected in the securities on issue above as they were issued subsequent to the year end.

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 year, 9,143,772 (2018: 6,480,246) stapled securities were issued to securityholders participating in the Group's Distribution Reinvestment Plan for consideration of $16.2m (2018: $9.6m). The stapled securities were issued at the volume weighted average market price of the Group's stapled securities over a period of ten trading days, less a 2% discount.

Terms and conditions of contributed equity

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

In the event of the winding up of NSH and NSPT, stapled securityholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held. Ordinary stapled securityholders rank after all creditors in repayment of capital.

There is no current on or off market security buy-back.

14. OTHER RESERVES

	2019 $'000	2018 $'000
Foreign currency translation reserve		
Opening balance at 1 July	(12)	11
Foreign exchange translation differences	(15)	(23)
Closing balance at 30 June	(27)	(12)

The financial statements for the Group are prepared on the basis that NSH was the acquirer of NSPT. On this basis foreign currency translation reserve movements relating to the NSH Group are presented within other reserves.

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

	NSPT Group	
	2019 $'000	2018 $'000
Foreign currency translation reserve		
Opening balance at 1 July	(115)	232
Net investment hedge	(1,591)	1,007
Foreign exchange translation differences	2,464	(1,354)
Closing balance at 30 June	758	(115)
Cash flow hedge reserve		
Opening balance at 1 July	(2,073)	(45)
Revaluation of derivatives	(22,098)	(2,112)
Taxation impact on revaluation	290	84
Closing balance at 30 June	(23,881)	(2,073)
Other reserves	(23,123)	(2,188)

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

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

On 24 June 2019, the Group reset the interest rates associated with AUD denominated interest rate swaps designated as cash flow hedges. This resulted in a cash outflow of $22.9m which reduced the Group's financial liability as presented in note 9.8. In accordance with AASB 9 *Financial instruments,* as the nature of the underlying hedged instrument is unchanged the fair value of this outflow remains in the cash flow hedge reserve and will be amortised to the statement of profit or loss in future periods.

The cash flow hedge is included in non-controlling interest in the Consolidated Group and is not classified within other reserves.

15. FINANCIAL RISK MANAGEMENT

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

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

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

Derivatives

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

	Notes	2019 $'000	2018 $'000
Forward currency exchange contract designated as cash flow hedges presented in:			
Current liabilities	9.6	(474)	-
Interest rate swaps designated as cash flow hedges presented in:			
Current assets	9.3	-	87
Non-current assets	9.3	569	2,099
Current liabilities	9.6	(239)	(3)
Non-current liabilities	9.6	(1,375)	(4,380)
Net liability		(1,045)	(2,197)

Classification of derivatives

All derivatives have been designated as cash flow hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

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

Fair value measurement

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

Market risk

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

The sensitivity analysis in the following sections relate to the position as at 30 June 2019 and 30 June 2018. The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant on the basis of hedge designations in place at 30 June 2019.

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

The following assumptions have been made in calculating sensitivity analysis:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets held at 30 June 2019 and 30 June 2018 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 30 June 2019 for the effects of the assumed changes of the underlying risk.

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2019, after taking into account the effect of interest rate swaps, 55.8% (2018: 53.9%) of the Group's borrowings are at a fixed rate of interest.

Interest rate sensitivity
The following table demonstrates the sensitivity to a possible change in interest rates on the portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on profit before tax $'000
2019		
Australian dollar dominated debt	+50	(718)
New Zealand dollar dominated debt	+50	(254)
Australian dollar dominated debt	-50	718
New Zealand dollar dominated debt	-50	254
2018		
Australian dollar dominated debt	+50	(921)
New Zealand dollar dominated debt	+50	(124)
Australian dollar dominated debt	-50	921
New Zealand dollar dominated debt	-50	124

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

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

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

Foreign currency sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in New Zealand Dollar exchange rate with all other variables held constant. The impact on Group's profit before tax from both continuing and discontinued operations is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to net investment hedges.

	Change in NZD rate	Effect on profit before tax $'000	Effect on pre-tax equity $'000
2019	+5%	(165)	(2,412)
	-5%	183	2,649
2018	+5%	(82)	(659)
	-5%	90	527

The movement in the profit before tax is a result of a change in the fair value of the monetary assets and liabilities denominated in NZD, where the functional currency of the entity is a currency other than NZD.

The movement in pre-tax equity arises from changes in NZD borrowings (net of cash and cash equivalents) in the hedge of net investments in New Zealand operations and cash flow hedges. These movements will offset the translation of New Zealand operations' net assets into AUD.

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

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

The allowance for expected credit losses represents an estimate of trade receivables that are not considered to be recoverable. For the year ended 30 June 2019, the Group has recognised an expected loss provision of $135,000 based on lifetime expected credit losses at each reporting date. The Group assesses this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors. At 30 June 2018, the Group recognised a provision for trade receivables of $23,000 relating to receivables acquired on the purchase of investment properties where there are specific risks around recoverability.

Cash and cash equivalents
The Group's credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk for the components of the statement of financial position at 30 June 2019 and 30 June 2018 is the carrying amounts as indicated in the statement of financial position.

Guarantees
Credit risk also arises in relation to financial guarantees given to certain parties (refer to notes 18, 21, and 22). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

Liquidity risk

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

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

Financing arrangements

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

	2019 $'000	2018 $'000
Expiring within one year (bank overdraft)	3,000	3,000
Expiring beyond one year (loans)	20,508	115,347
	23,508	118,347

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. All other secured bank loans may be drawn at any time and is subject to an annual review. Further details of the bank loans are detailed in notes 9.5 and 16.

Maturity of financial liabilities

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2019						
Non-derivatives						
Trade and other payables	236	18,757	-	-	-	**18,993**
Borrowings	-	6,272	17,527	573,698	355,223	**952,720**
Finance leases	-	3,236	9,982	53,552	237,618	**304,388**
Distribution payable	-	34,370	-	-	-	**34,370**
Total non-derivatives	236	62,635	27,509	627,250	592,841	**1,310,471**
Derivatives						
Inflows	-	(1,365)	(3,459)	(14,600)	(3,412)	**(22,836)**
Outflows	-	1,645	5,020	16,116	2,643	**25,424**
Total derivatives	-	280	1,561	1,516	(769)	**2,588**
	236	62,915	29,070	628,766	592,072	**1,313,059**

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2018						
Non-derivatives						
Trade and other payables	268	12,050	-	-	-	**12,318**
Borrowings	-	5,926	17,584	403,615	291,094	**718,219**
Finance leases	-	3,120	9,201	51,716	228,857	**292,894**
Distribution payable	-	27,396	-	-	-	**27,396**
Total non-derivatives	268	48,492	26,785	455,331	519,951	**1,050,827**
Derivatives						
Inflows	-	(110)	(42)	(1,057)	(1,181)	**(2,390)**
Outflows	-	278	1,193	2,832	284	**4,587**
Total derivatives	-	168	1,151	1,775	(897)	**2,197**
	268	48,660	27,936	457,106	519,054	**1,053,024**

Changes in liabilities arising from financing activities

	1 July 2018 $'000	Cash flows $'000	Foreign exchange movement $'000	Changes in fair value $'000	Other $'000	30 June 2019 $'000
Derivative used for hedging:						
Forward currency exchange contract						
Current financial liabilities	-	-	-	474	-	**474**
Interest rate swap						
Current financial liabilities	3	-	-	236	-	**239**
Non-current financial liabilities	4,380	-	20	(3,025)	-	**1,375**
Distributions payable	27,396	(41,301)	-	-	48,275	**34,370**
Non-current interest-bearing loans	596,410	242,842	3,714	-	961	**843,927**
Finance lease liabilities						
Current liabilities	4,446	(4,820)	-	-	5,701	**5,327**
Non-current liabilities	156,942	-	-	-	6,885	**163,827**
Total liabilities from financing activities	789,577	196,721	3,734	(2,315)	61,822	**1,049,539**

	1 July 2017 $'000	Cash flows $'000	Foreign exchange movement $'000	Changes in fair value $'000	Other $'000	30 June 2018 $'000
Derivative used for hedging: interest rate swaps						
Current financial liabilities	166	-	-	(163)	-	**3**
Non-current financial liabilities	3,259	-	12	1,109	-	**4,380**
Distributions payable	23,594	(40,045)	-	-	43,847	**27,396**
Non-current interest-bearing loans and borrowings	481,770	116,652	(2,668)	-	656	**596,410**
Finance lease liabilities						
Current lease liabilities	4,504	(4,490)	-	-	4,432	**4,446**
Non-current liabilities	163,851	-	-	-	(6,909)	**156,942**
Total liabilities from financing activities	677,144	72,117	(2,656)	946	42,026	**789,577**

16. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to securityholders and to maintain an optimal structure to reduce the cost of capital. The primary objective of the Group's capital management is to maximise value for the securityholder. The Responsible Entity has outsourced capital management for the NSPT Group to NSH under a management agreement.

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

The Group monitors capital using a gearing ratio, represented by net debt divided by total assets less cash and short term deposits and finance lease liabilities. The Group's target is to keep the gearing ratio between 25% and 40%. Net debt includes borrowings, less cash and short-term deposits.

	Notes	2019 $'000	2018 $'000
Interest bearing loans	9.5	847,838	600,348
Less: cash and short term deposits	9.1	(178,842)	(21,333)
Net debt		668,996	579,015
Total assets		2,392,313	1,709,949
Less cash and short term deposits		(178,842)	(21,333)
Less finance lease liabilities	9.7	(169,154)	(161,388)
		2,044,317	1,527,228
Gearing ratio		33%	38%

Loan covenants

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

Dividends and distributions

Distributions have been made and declared as noted below.

	NSPT Group 2019 $'000	2018 $'000
NSPT interim distribution of 4.5 cents per unit paid on 1 March 2019 (2018: 4.7 cents per unit)	30,082	25,826
NSPT final distribution of 5.1 cents per unit payable on 5 September 2019 (2018: 4.9 cents per unit)	34,370	27,396
Balance of distributions paid to pre-stapling unit holders	-	205
	64,452	53,427

There are no proposed distributions not recognised as a liability for the year ended 30 June 2019. The Directors of NSH have not declared an interim or final dividend for the year ending 30 June 2019.

Franking credit balance

	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	2,828	1,453

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

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

17. RELATED PARTY TRANSACTIONS

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

Transactions with Related Parties		Revenue from related parties $	Purchases from related parties $	Amount owed by related parties $	Amount owed to related parties $
Australia Prime Storage Fund	2019	808,702	-	502,919	-
	2018	679,568	-	307,471	-
Bundall Commercial Trust	2019	587,569	-	8,976,530	-
	2018	339,428	-	4,173,414	-
Bundall Storage Trust	2019	3,260,320	-	2,232,654	-
	2018	972,006	-	3,558,114	-
Bundall Storage Operations Pty Ltd	2019	12,661	-	167,407	-
	2018	-	-	-	-
Spacer Marketplaces Pty Ltd	2019	-	50,879	-	-
	2018	-	18,896	-	-

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

As at 30 June 2019, National Storage Investments Pty Ltd, a subsidiary of NSH, had receivables outstanding of $8,725,000 with the Bundall Commercial Trust (2018: $3,037,500) and $1,025,000 with the Bundall Storage Trust (2018: $2,587,500) relating to amounts drawn down under facility agreements between the entities. The terms of the facility agreements range from 2 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 30 June 2019.

All other outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 30 June 2019 and 30 June 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Key management personnel compensation

	Consolidated Group	
	2019 $'000	2018 $'000
Short-term employee benefits	3,431	3,176
Post-employment benefits	126	139
Long-term benefits	281	195
Termination benefits	-	400
	3,838	3,910

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

18. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2019, the Group has contractual commitments in place for the construction of a self-storage centre in Queensland, Australia (see note 10.4).

The Group also held a commitment with a third party to supply and install solar panels and energy efficient light-emitting diode ("**LED**") lighting on a significant number of NSR storage centres for an estimated total cost of $8.8m. As at 30 June 2019, the Group had incurred costs of $3.9m related to this project which have been classified as freehold investment property under construction (see note 10.4). The Group is committed to additional expenditure of $4.9m, to be paid on agreed milestones subject to the completion of the project.

There were no other contracted capital expenditure commitments at the end of the reporting period that are not recognised as liabilities.

Non-cancellable operating leases

The Group leases offices and other equipment with terms expiring under various time periods.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2019 $'000	2018 $'000
Within one year	649	690
Later than one year but not later than five years	732	1,108
Later than five years	1	199
	1,382	1,997

Finance lease commitments
For details of finance lease commitments see note 9.7.

Contingent liabilities
The Group did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

19. EARNINGS PER STAPLED SECURITY ("EPS")

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

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

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

	2019	2018 Restated
Weighted average number of securities on issue during the year	650,319,184	536,933,616
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	4,301,624	6,601,060
Weighted average number of securities used to calculate basic and diluted earnings per stapled securities	654,620,808	543,534,676
Reconciliation of earnings used in calculating earnings per stapled securities		
Net profit attributable to members ($'000)	144,840	145,773
Basic and diluted earnings per stapled securities (cents)	22.13	26.82

As detailed in notes 13 and 23, on 1 July 2019 the Group issued 99,415,205 of new securities relating to a $170m institutional equity raise. On 30 July 2019, the Group issued 7,917,735 of new securities relating to $13.5m raised from a security purchase plan. The Group received proceeds for the institutional raising on 28 June 2019 which has been recognised as a contract for future issue of equity. As these securities were not on issue at 30 June 2019, they have not been included within the weighted average number of securities during the year shown above.

As required by AASB *133 Earnings per share,* for capital raises during the year ended 30 June 2019 and subsequent to the year end, the weighted average number of securities on issue used to calculate statutory basic and diluted earnings per stapled securities has been adjusted to reflect the difference between the issue price and the fair value of securities prior to issue. No actual securities were issued relating to this adjustment.

The weighted average number of stapled securities for the year ending 30 June 2018 used to calculate basic and diluted earnings per stapled securities has also been restated on this basis.

20. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

Amounts received or due and receivable by Ernst & Young Australia for:	2019 $	2018 $
An audit or review of the financial report of the entity and any other group entity	540,000	519,900
Other services in relation to the entity and any other group entity		
Taxation services	143,250	49,725
Assurance related	36,050	-
Other	-	24,695
Total auditors' remuneration	719,300	594,320

21. INFORMATION RELATING TO THE PARENT ENTITY

Summary financial information

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

	2019 $'000	2018 $'000
Current assets	264,270	102,999
Total assets	274,096	110,556
Current liabilities	(194,762)	(62,463)
Total liabilities	(196,012)	(63,713)
Net assets	78,084	46,843
Issued capital	98,397	64,382
Retained earnings	(20,313)	(17,539)
	78,084	46,843
Loss after tax	(3,041)	(1,410)
Total comprehensive income	(3,041)	(1,410)

Guarantees entered into by the parent entity

The Group's parent entity has provided bank guarantees of $8.9m (2018: $8.9m) to third party lessors.

In addition, there are cross guarantees given by National Storage Holdings Limited, National Storage (Operations) Pty Ltd and National Storage Pty Ltd as described in note 22. No deficiencies of assets exist in any of these companies.

Contingent liabilities of the parent entity

The parent entity of Group did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

22. DEED OF CROSS GUARANTEE

As at 30 June 2019, National Storage Holdings Limited, National Storage (Operations) Pty Ltd, Southern Cross Storage Operations Pty Ltd and National Storage Pty Ltd are parties to a deed of cross guarantee (30 June 2018: National Storage Holdings Limited, National Storage (Operations) Pty Ltd and National Storage Pty Ltd) under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (wholly-owned companies) instrument 2016/785 issued by the Australian Securities and Investments Commission.

Set out below is a consolidated statement of comprehensive income and statement of financial position of the entities that are parties to a deed of cross guarantee.

Consolidated statement of comprehensive income	2019 $'000	2018 $'000
Profit / (loss) before income tax	1,546	(2,245)
Income tax benefit	1,352	2,929
Profit after tax	2,898	684
Retained earnings at the beginning of the year	7,676	5,627
Dividends received	650	1,000
Retained earnings at the end of the year	11,224	7,311

Consolidated statement of financial position	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	172,824	17,365
Trade and other receivables	34,327	30,065
Inventories	606	560
Other current assets	6,804	5,197
Total current assets	214,561	53,187
Non-current assets		
Trade and other receivables	118	118
Property, plant and equipment	817	979
Investment properties	870,575	642,299
Investments	5,932	5,932
Intangibles	30,256	29,878
Deferred tax asset	2,831	949
Total non-current assets	910,529	680,155
Total assets	1,125,090	733,342
Liabilities		
Current liabilities		
Trade and other payables	195,300	63,028
Finance lease liability	4,586	4,446
Deferred revenue	11,569	11,840
Income tax payable	601	1,035
Provisions	2,072	1,617
Total current liabilities	214,128	81,966
Non-current liabilities		
Borrowings	1,250	1,250
Finance lease liability	797,826	576,764
Provisions	2,265	1,669
Total non-current liabilities	801,341	579,683
Total liabilities	1,015,469	661,649
Net assets	109,621	71,693
Equity		
Contributed equity	98,397	64,382
Retained profits	11,224	7,311
Total equity	109,621	71,693

23. EVENTS AFTER REPORTING PERIOD

Acquisitions

On 26 July 2019, the Group purchased two storage centre investment properties from APSF for $42.6m, and reached an agreement to purchase a third asset from APSF for $21.35m on completion of construction.

Capital raise

On 1 July 2019, the Group issued 99,415,205 new stapled securities as a result of the $170m equity raising announced on 25 June 2019. The Group received proceeds for this raising on 28 June 2019 (see note 13).

On 30 July 2019, the Group raised $13.5m from a non-underwritten security purchase plan. This resulted in the issue of 7,917,735 new stapled securities.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Group for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards and the *Corporations Regulations 2001*;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and

   (c) there are reasonable grounds to believe that NSR will be able to pay its debts as and when they become due and payable.

   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Board,

Laurence Brindle	Andrew Catsoulis
Director	Managing Director
27 August 2019	27 August 2019
Brisbane	Brisbane

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of National Storage REIT (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment property valuation

Why significant	How our audit addressed the key audit matter
Approximately 88% of the Group's total assets is comprised of investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent property valuations or internal valuations, and based on market conditions existing at reporting date. This was considered a key audit matter due to the number of judgments required in determining fair value. These judgments include assessing the capitalisation rates, sustainable occupancy and stabilised average EBITDA (earnings before interest, tax, depreciation and amortisation). Disclosure of investment properties and the related significant judgments are included in Notes 2 (p), 10.4, and 10.8 to the financial report.	Our audit procedures included the following: • With the involvement of our real estate valuation specialists, assessing the suitability of the valuation methodologies, the competence, qualifications and objectivity of both the Group's internal valuers and external valuation experts, and the assumptions used in the valuations. These assumptions and inputs included capitalisation rates, occupancy rates including forecast occupancy levels, and stabilised average EBITDA; • Agreeing a sample of the source data used in the valuations to supporting tenancy schedules and accounting sub-ledgers; • Testing the mathematical accuracy of the internal valuation model, including assessing key valuation inputs with reference to those applied by the external valuation experts and where relevant assessing the reasonableness of comparable transactions utilised in the valuation process; • Where relevant we evaluated the movement in the capitalisation rates, occupancy rates, and stabilised average EBITDA across the portfolio based on our knowledge of the property portfolio, published industry reports and comparable external valuations; and

Why significant	How our audit addressed the key audit matter
	• We considered the adequacy of disclosures in relation to the valuation methods and principles disclosed in Note 2 (p) *Summary of significant accounting policies - Investment properties*, Note 10.4 *Investment properties* and Note 10.8 *Non-financial assets fair value measurement*.

2. Carrying value of goodwill

Why significant	How our audit addressed the key audit matter
The goodwill balance of $43.9 million, relates to the acquisition of portfolios of investment properties purchased in previous periods. The goodwill is tested for impairment annually. No impairment charge has been recorded against these balances in the current financial year as disclosed in Note 10.5. Impairment testing involves the application of subjective judgment about future business performance and the application of valuation methodologies in accordance with Australian Accounting Standards. Accordingly, this was considered a key audit matter.	Our audit procedures included the following: • We considered whether the impairment testing methodology applied by the Group, including the determination of cash generating units to which goodwill was allocated, met the requirements of Australian Accounting Standards; • We assessed the Group's appropriateness in respect of the determination of CGUs to which the goodwill is allocated; • We evaluated the suitability of the valuation methodology and validated the inputs to calculate the fair value less costs of disposal as disclosed in note 10.5; • We considered the adequacy of the disclosures in Note 10.5 of the financial report.

Building a better working world

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the National Storage REIT 2019 Annual Report, but does not include the financial report and our auditor's report thereon, with the exception of the Remuneration Report and our related assurance opinion.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Building a better working world

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 51 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of National Storage REIT for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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

Building a better working world

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
27 August 2019

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

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 31 July 2019 unless stated below:

(a) Distribution of equity securities

Analysis of numbers of ordinary fully paid stapled security holders by size of holding:

Holding			Total holders
1	-	1,000	1,164
1,001	-	5,000	1,669
5,001	-	10,000	1,087
10,001	-	100,000	2,206
100,001	-	And over	122
Total			6,248

There were 195 holders of less than a marketable parcel of stapled securities, representing 4,692 units.

(b) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Stapled Securities Number held	Stapled Securities Percentage of issued securities
HSBC Custody Nominees (Australia) Limited	299,277,109	38.31
J P Morgan Nominees Australia Limited	173,754,889	22.24
Citicorp Nominees Pty Limited	58,026,196	7.43
National Nominees Limited	26,874,822	3.44
Perpetual Trustee Company Ltd	26,844,726	3.44
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	25,391,510	3.25
BNP Paribas Noms Pty Ltd (DRP)	14,927,570	1.91
Storcat Pty Ltd (Andrew Catsoulis Family A/C)	7,812,878	1.00
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	7,243,626	0.93
AMP Life Limited	6,269,486	0.80
Hooks Enterprises Pty Ltd (Hoeksema Superfund A/C)	4,640,000	0.59
HSBC Custody Nominees (Australia) Limited – Comnwlth Super Corp	3,151,044	0.40
Alex Queensland Pty Ltd (Catsoulis Development A/C)	2,932,388	0.38
Mr Leendert Hoeksema & Mrs Aaltje Hoeksema	2,740,000	0.35
HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,573,253	0.33
Palomere Pty Ltd (Peter Edward Greer Family A/C)	2,543,202	0.33
Warbont Nominees Pty Ltd (Unpaid Entrepot A/C)	2,286,450	0.29
Neweconomy.com.au Nominess Pty Limited (900 Account)	2,272,634	0.29
CS Fourth Nominees Pty Ltd (HSBC Cust Nom AU Ltd 11 A/C)	2,018,796	0.26
Stowaway Self Storage Pty Ltd (Catsoulis Family A/C)	1,811,224	0.23
	673,391,803	86.19

Unquoted equity securities
There are no unquoted securities.

(c) Substantial shareholders
Substantial securityholders, as at 15 July 2019, are set out below:

Name	Number held	Percentage
Vanguard Investments Australia Ltd	48,776,391	6.31
MFS Investment Management	42,449,137	5.49

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

NATIONAL STORAGE PORT MELBOURNE

INVESTOR RELATIONS

National Storage REIT is listed on the Australian Securities Exchange under the code NSR.

NATIONAL STORAGE REIT SECURITIES

A stapled security comprises:

- one share in National Storage Holdings Limited; and
- one unit in the National Storage Property Trust,

stapled and traded together as one stapled security.

CONTACT DETAILS

All changes of name, address, TFN, payment instructions and document requests should be directed to the registry.

SECURITIES REGISTRY

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne VIC 3001 Australia
Telephone: 1300 850 505 (Australia only)
International: +61 3 9415 4500
Facsimile: +61 3 9473 2555
Email: web.queries@computershare.com.au

ELECTRONIC INFORMATION

By becoming an electronic investor and registering your email address, you can receive via email notifications and announcements, distribution statements, taxation statements and annual reports.

SECURE ACCESS TO YOUR SECURITYHOLDING

You will need to have your securityholder reference number or holder identification number (SRN/HIN) available to access your holding details.

ONLINE

You can access your securityholding information via link in the Investor Centre section of the corporate website, www.nationalstorageinvest.com.au, or via the Investor Centre link on registry website at www. computershare.com.au. To view your securityholding, you will need your SRN/HIN and will be asked to verify your registered postcode (inside Australia) or your country of residence (outside Australia).

PHONE

You can confirm your holding balance, request forms and access distribution and trading information by phoning: 1300 850 505 (Australia only) or calling +61 3 9946 4471 (outside Australia).

DISTRIBUTION DETAILS

Distributions are expected to be paid within 8 to 10 weeks following the end of each semi annual distribution period, which occur in June and December each year. To ensure timely receipt of your distributions, please consider the following:

Direct Credit

NSR encourages securityholders to receive distribution payments by direct credit. If you wish to register for direct credit or update your payment details, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

TAX FILE NUMBER (TFN)

You are not required by law to provide your TFN, Australian Business Number (ABN) or exemption status. However, if you do not provide your TFN, ABN or exemption, withholding tax at the highest marginal rate for Australian resident members may be deducted from distributions paid to you. If you wish to update your TFN, ABN or exemption status, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

UNPRESENTED CHEQUES

If you believe you have unpresented cheques, please contact the registry and request a search to assist in recovering your funds. If you wish to register for direct credit or update your payment details, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

ANNUAL TAXATION STATEMENT AND TAX GUIDE

The Annual Taxation Statement and Tax Guide are dispatched to securityholders in August each year. A copy of the Tax Guide is available at www. nationalstorageinvest.com.au.

INVESTOR FEEDBACK

If you have any fund specific queries or feedback please telephone NSR Investor Relations on 1800 683 290. Please direct any complaints in writing to NSR Company Secretary at GPO Box 3239, Brisbane QLD 4001, Australia.

NSR CALENDAR FY20

AUGUST
Full Year Results and Annual Report released
Distribution paid for the six months ended 30 June
Annual tax statements released
OCTOBER
Notice of Annual General Meeting released
NOVEMBER
Annual General Meeting
FEBRUARY
Half Year Results released
Distribution paid for six months ended 31 December

The dates listed above are indicative only and subject to change.

CORPORATE DIRECTORY

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

RESPONSIBLE ENTITY OF NSPT

National Storage Financial Services Limited (NSFSL)
ACN 600 787 246 AFSL 475 228
Level 23, 71 Eagle Street, Brisbane QLD 4000

DIRECTORS

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

COMPANY SECRETARY

Claire Fidler
Patrick Rogers

REGISTERED OFFICE

Level 23, 71 Eagle Street
Brisbane QLD 4000

PRINCIPAL PLACE OF BUSINESS

Level 23, 71 Eagle Street
Brisbane QLD 4000

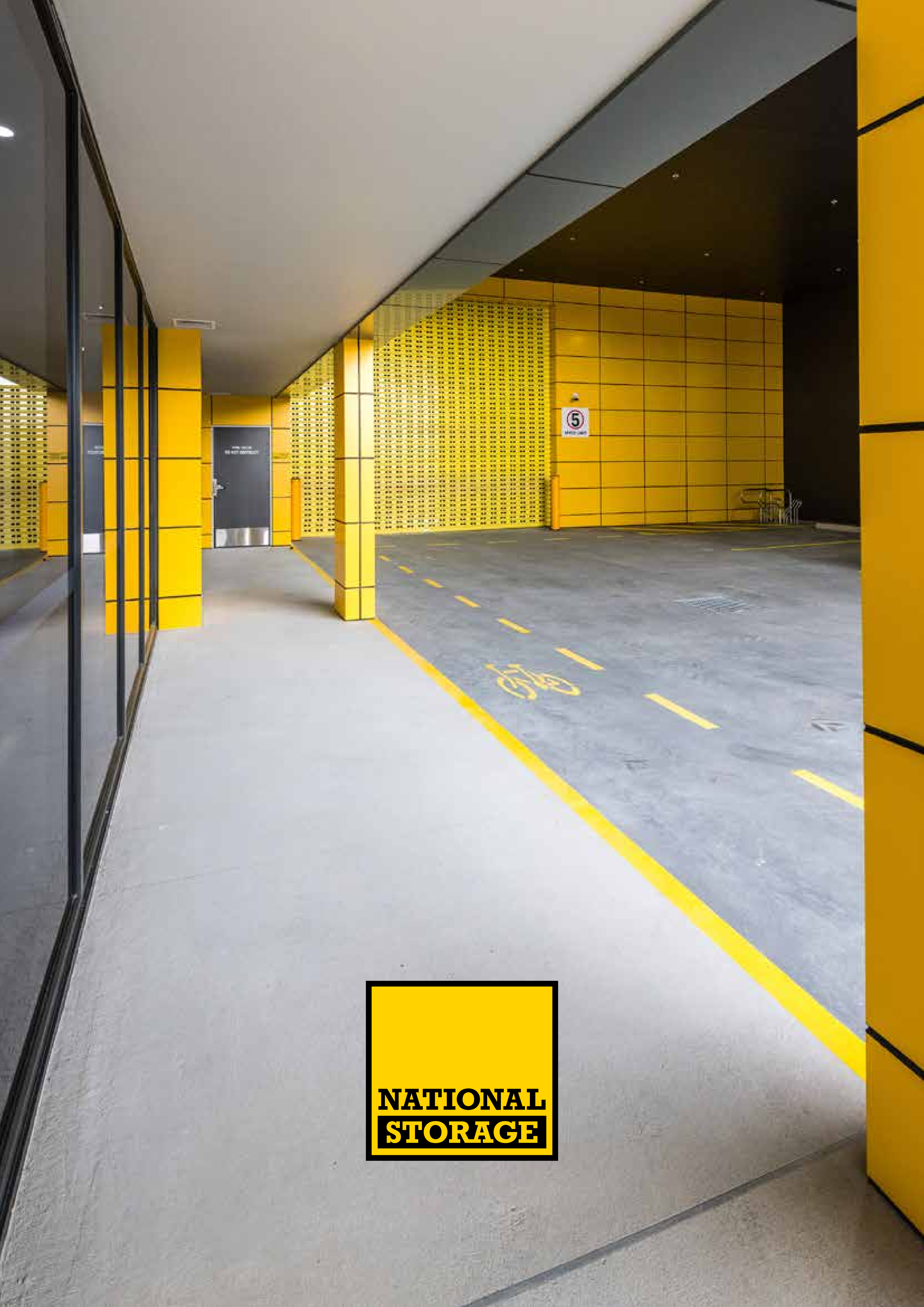
SHARE REGISTRY

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Stapled Securities are quoted on the Australian Securities Exchange (ASX).

AUDITORS

Ernst & Young
111 Eagle Street
Brisbane QLD 4000


NATIONAL
STORAGE