NATIONAL STORAGE REIT (NSR)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

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CORPORATE INFORMATION

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

Responsible Entity of NSPT
National Storage Financial Services Limited (“**the Responsible Entity**”), a wholly owned subsidiary of National Storage Holdings Limited
ACN 600 787 246
AFSL 475 228
Level 23, 71 Eagle Street
Brisbane QLD 4000

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

Directors – the Responsible Entity
Laurence Brindle
Andrew Catsoulis
Anthony Keane
Howard Brenchley
Steven Leigh
Claire Fidler

Company Secretary – NSH
Claire Fidler and Patrick Rogers

Company Secretary – the Responsible Entity
Claire Fidler and Patrick Rogers

Registered office
Level 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**”) – trading code **ASX:NSR**.

Auditor
Ernst & Young
111 Eagle Street
Brisbane QLD 4000

DIRECTORS' REPORT

The Directors of NSH jointly with the Directors of National Storage Financial Services Limited as responsible entity of NSPT present their report together with the financial statements of NSR which incorporates NSH and its controlled entities ("**NSH Group**") and NSPT and its controlled entities ("**NSPT Group**") for the financial half-year ended 31 December 2018 ("**Reporting Period**").

DIRECTORS

National Storage Holdings Limited

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

Laurence Brindle	Independent Non-Executive Chairman
Andrew Catsoulis	Managing Director
Claire Fidler	Executive Director
Anthony Keane	Independent Non-Executive Director
Howard Brenchley	Independent Non-Executive Director
Steven Leigh	Independent Non-Executive Director

National Storage Financial Services Limited, "the Responsible Entity"

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

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

REVIEW AND RESULTS OF OPERATIONS

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

Operating results

For the half-year ended 31 December 2018, total revenue increased by 14% to $76.1m (31 December 2017: $66.5m) driven by strong storage revenue growth achieved via an increase in centre occupancy, and acquisition of additional centres.

Underlying earnings[1] increased 17% to $26.3m (31 December 2017: $22.4m) through the contribution from acquisitions and improved centre operating performance.

	H1 FY19	H1 FY18
IFRS Profit after tax	$27.1m	$59.8m
Plus tax expense/(benefit)	$0.9m	($2.8m)
Plus restructuring and other non-recurring costs	$0.5m	$1.2m
Plus contracted gain in respect of sale of investment property (note 5)	$1.0m	$0.8m
Less fair value adjustment	($1.3m)	($34.4m)
Less finance lease diminution	($1.9m)	($2.2m)
Underlying Earnings[(1)]	**$26.3m**	**$22.4m**

Profit after tax decreased by 55% to $27.1m (31 December 2017: $59.8m) due to fair value adjustments associated with the carrying value of investment properties reducing by $33.1m to $1.3m.

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

DIRECTORS' REPORT

Capital management

Cash and cash equivalents as at 31 December 2018 were $53.5m (30 June 2018: $21.3m). Net operating cashflow for the half-year increased by $3.6m to $39.7m (31 December 2017: $36.1m).

An interim distribution of 4.5 cents per security ($30.1m) was announced on 18 December 2018 with a payment date of 1 March 2019.

During the period NSR successfully completed a fully underwritten $175.4m equity raising. This resulted in the issue of 105,677,937 new stapled securities.

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

The final distribution relating to June 2018 saw 23% of eligible securityholders (by number of stapled securities) elect to receive their distributions as securities totalling $6.3m of equity from the issue of 3,706,095 stapled securities during the period.

For the 31 December 2018 interim distribution 33% of eligible security holders (by number of securities) elect to receive their distributions by way of securities. The DRP price has been set at $1.818 which will result in 5,437,677 new securities being issued on the distribution payment date.

The Group finance facilities are on a "Club" arrangement with a selection of major Australian banks and a major Australian superannuation fund. The Group's borrowing capacity is AUD $580m and NZD $146.8m (AUD $139.6m) of which AUD $63.6m and NZD $29.3m (AUD $27.9m) is undrawn at 31 December 2018.

Investments

During the reporting period the property investment portfolio expanded following the acquisition of fourteen storage centre assets across Australia and New Zealand valued at $134.6m and adding 52,500 of net lettable area to NSR's portfolio.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

No event has occurred between the reporting date and the issue date of the half year report which require disclosure in the financial statements.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

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

DIRECTORS' REPORT

This report is made on 26 February 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

This report is made on 26 February 2019 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.

Laurence Brindle
Director
National Storage Financial Services Limited
Brisbane

Andrew Catsoulis
Director
National Storage Financial Services Limited
Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
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Auditor's Independence Declaration to the Directors of National Storage REIT and its controlled entities

As lead auditor for the review of National Storage REIT and its controlled entities, for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Ernst & Young

Ernst & Young

Ric Roach
Partner
26 February 2019

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

	Note	Consolidated Group 2018 $'000	Consolidated Group 2017 $'000 restated
Revenue from rental income	2	69,383	60,069
Revenue from contracts with customers	2	5,914	6,089
Interest income		809	388
Total revenue		**76,106**	**66,546**
Salaries and employee benefits expense		(14,036)	(12,084)
Premises costs		(9,346)	(7,866)
Cost of packaging and other products sold		(759)	(987)
Advertising and marketing		(2,068)	(2,781)
Other operational expenses		(6,347)	(5,707)
Finance costs		(16,469)	(14,183)
Share of profit of joint ventures and associates		160	811
Gain from fair value adjustments		1,271	34,431
Restructuring and other non-recurring costs		(477)	(1,164)
Profit before income tax		**28,035**	**57,016**
Income tax (expense) / benefit	4	(902)	2,797
Profit after tax		**27,133**	**59,813**
Profit / (loss) for the period attributable to:			
Members of National Storage Holdings Limited		2,148	(6,439)
Non-controlling interest (unit holders of NSPT)		24,985	66,252
		27,133	**59,813**
Basic and diluted earnings per stapled security (cents)	16	4.31	11.54

The above Interim Statement of Profit of Loss should be read in conjunction with the accompanying notes and 30 June 2018 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Consolidated Group	
	2018	2017
	$'000	$'000
Profit after tax	**27,133**	**59,813**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	362	(322)
Net loss on cash flow hedges	(4,466)	(925)
Total other comprehensive loss, net of tax	**(4,104)**	**(1,247)**
Total comprehensive income	**23,029**	**58,566**
Comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	2,119	(6,404)
Non-controlling interest (unit holders of NSPT)	20,910	64,970
	23,029	**58,566**

The above Interim Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes and 30 June 2018 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	Consolidated Group as at 31 Dec 2018 $'000	as at 30 Jun 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		53,487	21,333
Trade and other receivables		19,314	15,152
Inventories		688	656
Assets held for sale	7	6,673	5,713
Other current assets		5,702	5,424
Total current assets		**85,864**	**48,278**
Non-current assets			
Trade and other receivables		1,115	601
Property, plant and equipment		985	1,024
Investment properties	5	1,759,307	1,592,798
Investment in joint ventures and associates	6	19,559	18,125
Intangible assets	9	46,224	46,005
Deferred tax asset		1,316	1,019
Other non-current assets	11	568	2,099
Total non-current assets		**1,829,074**	**1,661,671**
Total Assets		**1,914,938**	**1,709,949**
LIABILITIES			
Current liabilities			
Trade and other payables		7,600	12,318
Finance lease liability		5,272	4,446
Deferred revenue		12,387	12,584
Income tax payable		408	1,142
Provisions		2,194	1,930
Distribution payable	14	30,082	27,396
Other liabilities	11	982	3
Total current liabilities		**58,925**	**59,819**
Non-current liabilities			
Borrowings	10	624,521	596,410
Finance lease liability		161,374	156,942
Income tax payable		471	-
Provisions		1,575	1,513
Deferred tax liability		916	606
Other liabilities	11	6,356	4,380
Total non-current liabilities		**795,213**	**759,851**
Total Liabilities		**854,138**	**819,670**
Net Assets		**1,060,800**	**890,279**
EQUITY			
Non-controlling interest (unit holders of NSPT)		965,151	813,558
Contributed equity	12	82,937	66,128
Other reserves		(41)	(12)
Retained earnings		12,753	10,605
Total Equity		**1,060,800**	**890,279**

The above Interim Statement of Financial Position should be read in conjunction with the accompanying notes and 30 June 2018 Financial Statements of National Storage REIT.

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

Attributable to securityholders of National Storage REIT

	Notes	Contributed equity $'000	Retained earnings $'000	Other reserves $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2018		**66,128**	**10,605**	**(12)**	**813,558**	**890,279**
Profit for the period		-	2,148	-	24,985	27,133
Other comprehensive income / (loss)		-	-	(29)	(4,075)	(4,104)
Total comprehensive income / (loss) for the period		**-**	**2,148**	**(29)**	**20,910**	**23,029**
Issue of stapled securities through institutional and retail placement	12	16,498	-	-	158,927	175,425
Issue of stapled securities through distribution reinvestment plan		592	-	-	5,699	6,291
Costs associated with issue of stapled securities		(401)	-	-	(3,861)	(4,262)
Deferred tax on cost of stapled securities		120	-	-	-	120
Distributions provided for or paid	14	-	-		(30,082)	(30,082)
		16,809	-	-	130,683	147,492
Balance at 31 December 2018		**82,937**	**12,753**	**(41)**	**965,151**	**1,060,800**
Balance at 1 July 2017		**59,145**	**8,834**	**11**	**664,627**	**732,617**
(Loss) / profit for the period		-	(6,439)	-	66,252	59,813
Other comprehensive income			-	35	(1,282)	(1,247)
Total comprehensive income / (loss) for the period		**-**	**(6,439)**	**35**	**64,970**	**58,566**
Issue of stapled securities through institutional and retail placement	12	5,118	-	-	44,882	50,000
Issue of stapled securities through distribution reinvestment plan		502	-	-	4,400	4,902
Costs associated with issue of stapled securities		(156)	-	-	(1,367)	(1,523)
Deferred tax on cost of securities		190	-	-	-	190
Distributions provided for or paid	14	-	-	-	(25,826)	(25,826)
		5,654	-	-	22,089	27,743
Balance at 31 December 2017		**64,799**	**2,395**	**46**	**751,686**	**818,926**

The above Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes and 30 June 2018 Financial Statements of National Storage REIT.
For the six months ended 31 December 2018

INTERIM STATEMENT OF CASH FLOWS

	Notes	Consolidated Group 2018 $'000	2017 $'000
Operating activities			
Receipts from customers		82,600	71,083
Payments to suppliers and employees		(42,382)	(35,165)
Interest received		428	139
Income tax paid		(956)	-
Net cash flows from operating activities		**39,690**	**36,057**
Investing activities			
Purchase of investment properties		(139,910)	(49,410)
Improvements to investment properties		(6,119)	(3,517)
Development of investment property under construction		(11,424)	(178)
Purchase of property, plant and equipment		(161)	(149)
Purchase of intangible assets		(355)	(280)
Investment in joint ventures and associates		(1,274)	(2,052)
Net cash flows used in investing activities		**(159,243)**	**(55,586)**
Financing activities			
Proceeds from issue of stapled securities	12	175,425	50,000
Transaction costs on issue of stapled securities		(4,262)	(1,373)
Distributions paid to stapled security holders		(21,105)	(18,692)
Repayment of borrowings		(122,100)	(48,720)
Proceeds from borrowings		146,696	46,570
Payment of finance lease liabilities		(6,250)	(6,422)
Interest and other finance costs paid		(12,486)	(9,815)
Borrowings to joint venture		(4,250)	-
Net cash flows from financing activities		**151,668**	**11,548**
Net increase / (decrease) in cash and cash equivalents		32,115	(7,981)
Net foreign exchange difference		39	(49)
Cash and cash equivalents at 1 July		21,333	23,166
Cash and cash equivalents at 31 December		**53,487**	**15,136**

The above Interim Statement of Cash Flows should be read in conjunction with the accompanying notes and 30 June 2018 Financial Statements of National Storage REIT.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

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

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

The financial report of NSR for the half-year ended 31 December 2018 was approved on 26 February 2019, in accordance with resolutions from the Board of Directors of National Storage Holdings Limited and the Board of Directors of National Storage Financial Services Limited as the Responsible Entity of National Storage Property Trust.

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

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

Basis of preparation

This Interim Financial Report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The Interim Financial Report of NSR as at and for the half-year ended 31 December 2018 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

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

The accounting policies applied in this Interim Financial Report are the same as the 30 June 2018 financial report for NSH and NSPT except for the accounting policies impacted by the new or amended Accounting Standards detailed in this note.

The Group elects to present only financial information relating to NSR within this financial report. A separate financial report for the NSPT Group has also been prepared for the half-year ended 31 December 2018, this is available at www.nationalstorageinvest.com.au.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by the Group in accordance with the continuous disclosure obligations of the ASX listing rules during the half-year ended 31 December 2018.

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

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

Changes in accounting policy, accounting standards and interpretations

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

NOTES TO THE FINANCIAL STATEMENTS

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. The application of AASB 9 did not have a material impact on the Group. As required by AASB 134 *Interim Financial Reporting*, the nature and effect of the AASB 15 changes are disclosed below.

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

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue and related Interpretations* and it 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 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 using the full retrospective method of adoption. As disclosed in the 30 June 2018 financial statements, 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 under AASB 15 at the 31 December 2018 half-year has not been materially impacted compared to what would have been accounted for under previous revenue accounting standards and, consistent with the information disclosed at 30 June 2018, the impact at the full year is not expected to be material.

As required for the general purpose financial report information for the half-year ended 31 December 2018, 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 below into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenue from contracts with customers		**2018**	**2017**
		$'000	**$'000**
Sale of goods and services	a	2,377	2,775
Agency fees and commissions	b	1,389	1,221
Design and development fees	c	1,794	1,683
Management fees	d	354	410
Total revenue from contracts with customers		**5,914**	**6,089**

(a) Sale of goods and services

The Group's contracts with customers for the sale of goods and services consists 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 did not have an impact on the timing of the revenue recognition.

(b) Agency fees and commissions

The Group's contracts with customers for agency fees and commissions consists 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 did not have an impact on the timing of revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS

(c) Design and development fees

The Group's design and development fees to customers consists 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 as the asset is created or enhanced. The adoption of AASB 15 has not had an impact on the timing of revenue recognition.

(d) 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, however the effect of the 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.

AASB 16 Leases

The Group has conducted an assessment of the impact of AASB 16 *Leases*, which is applicable for the Group from 1 July 2019 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.

The accounting policies adopted in the preparation of the interim consolidated financial statements are otherwise consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018.

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 not early adopted any standards.

3. Segment information

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. Income tax

NSPT is a 'flow through' entity for Australian income tax purposes and has elected into the Attribution Managed Investment Trust 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%. Distributions from NSNZPT to NSPT may have attached Foreign Income Tax Offsets, which when distributed by NSPT may be claimed by an Australian tax resident, depending on their personal circumstances.

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

For the six months ended 31 December	2018 $'000	2017 $'000
Consolidated statement of profit or loss		
Current income tax	1,010	(299)
Deferred income tax	(108)	(2,498)
Income tax expense / (benefit)	**902**	**(2,797)**
Consolidated statement of other comprehensive income		
Deferred tax relating to items recognised in other comprehensive income during the period		
Cost of issuing share capital	(120)	(190)
Net gain / (loss) on revaluation of cash flow hedges	88	(36)
Deferred tax credited to other comprehensive income	**(32)**	**(226)**

5. Investment properties

	31 Dec 2018 $'000	30 Jun 2018 $'000
Investment properties at valuation		
Leasehold investment properties	217,606	207,664
Freehold investment properties	1,508,418	1,377,924
Freehold investment property under construction	33,283	7,210
Total investment properties	**1,759,307**	**1,592,798**
Leasehold properties		
Opening balance at 1 July	207,664	226,955
Property acquisitions	6,520	-
Improvements to investment properties	192	631
Items reclassified to freehold investment properties	-	(2,000)
Disposal of leasehold investment property	-	(2,140)
Reassessment of lease terms	7,637	(2,476)
Finance lease diminution, presented as fair value adjustments	(1,920)	(4,020)
Other fair value adjustments	(2,487)	(9,286)
Closing balance at 31 December / 30 June	**217,606**	**207,664**
Freehold properties		
Opening balance at 1 July	1,377,924	1,101,860
Property acquisitions	110,827	165,726
Property disposals	-	(280)
Improvements to investment properties	5,756	7,513
Items reclassified from leasehold investment properties	-	2,000
Items reclassified from freehold investment property under construction	5,483	2,301
Items reclassified to assets held for sale	(960)	(4,400)
Net gain from fair value adjustments	5,678	106,229
Effect of movement in foreign exchange	3,710	(3,025)
Closing balance at 31 December / 30 June	**1,508,418**	**1,377,924**

NOTES TO THE FINANCIAL STATEMENTS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Freehold investment property under construction at cost		
Opening balance at 1 July	7,210	2,063
Property acquisitions	23,321	-
Development costs	8,235	7,448
Items reclassified to freehold investment properties	(5,483)	(2,301)
Closing balance at 31 December / 30 June	**33,283**	**7,210**

In the period ended 31 December 2018, included within net gain from fair value adjustments for freehold investment properties is an unrealised gain of $1m relating to the contracted divestment of a component of a freehold investment property during the period. This asset has been reclassified to assets held for sale and is recorded at fair value (see note 7). (30 June 2018: realised gain of $2m relating to the contracted divestment of leasehold investment properties and a realised gain of $0.7m relating to the contracted divestment of freehold investment properties).

6. Interest in joint ventures and associates

Interest in joint ventures

	31 Dec 2018 $'000	30 Jun 2018 $'000
Opening balance at 1 July	7,432	1,980
Capital contribution / acquisition of shareholding in associates	1,274	5,392
Share of profit from joint ventures	20	60
Closing balance at 31 December / 30 June	**8,726**	**7,432**

The NSPT Group holds a 25% (30 June 2018: 25%) interest in the Bundall Storage Trust, and the NSH Group holds a 25% interest in the Bundall Commercial Trust. The Bundall Storage Trust has two storage centre investment property assets under construction.

The Bundall Commercial Trust derives rental property income from the leasing of commercial units.

During the period ended 31 December 2018, the Group made an additional equity contribution of $1.3m into the Bundall Storage Trust (year ended 30 June 2018: $2.4m). There was no change in the total share of the Group's interest following this investment.

During the year ended 30 June 2018, the Group subscribed to 83.3% of the units in FKS Investments No.2 Unit Trust for $3m. FKS Investments No.2 Unit Trust subsequently purchased a storage centre investment property asset in Queensland, Australia. This holding is unchanged at 31 December 2018.

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

Interest in associates

	31 Dec 2018 $'000	30 Jun 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*	140	1,282
Distributions from associate	-	(1,248)
Closing balance at 31 December / 30 June	**10,833**	**10,693**

**Included within share of profit from associates is $0.3m representing NSR's share of fair value gains related to investment properties held by associates (31 December 2017: $1m).*

The Group owns 24.9% (30 June 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.

NOTES TO THE FINANCIAL STATEMENTS

APSF is in the process of developing multiple storage centres in Australia. Once open the storage centres operate under the National Storage brand and are managed by National Storage (Operations) Pty Ltd. As at 31 December 2018, APSF has two operational storage centres and a third centre under construction.

During the year ended 30 June 2018, the Group acquired a 25.8% holding in Spacer Marketplaces Pty Ltd ("**Spacer**"). As at 31 December 2018 this holding reduced to 24% due to further share issues by Spacer. Spacer operate online peer-to-peer marketplaces for self-storage and parking.

None of the Group's joint ventures or associates are listed on any public exchange. See note 13 for fees received and purchases from joint ventures and associates.

7. Assets held for sale

	31 Dec 2018 $'000	30 Jun 2018 $'000
Current assets		
Opening balance at 1 July	5,713	5,713
Items reclassified from freehold investment property	960	4,400
Disposals during the year	-	(4,400)
Closing balance at 31 December / 30 June	**6,673**	**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 resulted in an unrealised gain of $1m from the asset's carrying value within freehold investment property at 30 June 2018. This has been included within fair value adjustments in the statement of profit or loss. This transaction settled on 15 January 2019.

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

The Group is nearing completion of an expansion to its existing Croydon South centre that will see the decommissioning and sale of the existing Croydon centre. The asset has previously had a contract for sale which has subsequently lapsed and remains classified as held for sale at fair value at 31 December 2018. The sale is expected to complete in the next 12 months.

8. Non-financial assets fair value measurement

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2018				
Assets held for sale	-	960	5,713	6,673
Leasehold investment properties	-	-	217,606	217,606
Freehold investment properties	-	-	1,508,418	1,508,418
	-	**960**	**1,731,737**	**1,7232,697**
At 30 June 2018				
Assets held for sale	-	5,713	-	5,713
Leasehold investment properties	-	-	207,664	207,664
Freehold investment properties	-		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 in and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. During the period ended 31 December 2018, the Group transferred $1m from level 3 to level 2 following the reclassification of an asset from freehold investment properties to assets held for sale as detailed in note 7 (year ended 30 June 2018: $4.4m), and $5.7m from level 2 to level 3 due to the expiry of the contractual agreement to sell a freehold investment property.

Fair value measurements using significant observable inputs (level 2)

The fair value of assets held for sale is determined using valuation techniques which maximise the use of observable market data. For the periods ended 31 December 2018 and 30 June 2018, the Group had assets classified as held for sale at contractually agreed sales price less estimated cost of sale.

Fair value measurements using significant unobservable inputs (level 3)

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

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

Fair values are determined by a combination of independent valuations and Directors' 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 or the Director's determine that an independent valuation is warranted. 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 Directors' valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

The Group obtains the majority of its independent valuations for a proportion of the portfolio at 30 June financial year end. The Group's policy is to maintain the valuation of the investment property at external valuation for all properties valued in the preceding year, unless there is an indication of a significant change to the property's valuation inputs.

The table below details the percentage of the number of investment properties subject to internal and external valuation within the previous year for the current and comparable reporting periods (excluding acquired properties in the preceding year).

	External valuation %	Internal valuation %
As at 31 December 2018		
Leasehold	47%	53%
Freehold	23%	77%
As at 30 June 2018		
Leasehold	60%	40%
Freehold	27%	73%

The Group has obtained external valuations on 24 freehold investment properties acquired during the calendar year ended 31 December 2018. Including these valuations, 38% of freehold investment properties were held at external valuation at 31 December 2018.

Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs		Range at 31 December 2018	Range at 30 June 2018
Investment properties - leasehold	Capitalisation method	Capitalisation rate	Primary	7.8% to 40.5%	7.8% to 45.0%
			Secondary	8.0% to 41.3%	8.8% to 46.0%
		Sustainable occupancy		82.5% to 95%	80% to 95%
		Stabilised average EBITDA		$390,200	$365,213
Investment properties - freehold	Capitalisation method	Capitalisation rate	Primary	6.5% to 8.3%	6.5% to 8.3%
			Secondary	6.5% to 9.5%	7.0% to 9.5%
		Sustainable occupancy		75% to 95.8%	72% to 95%
		Stabilised average EBITDA		$917,006	$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 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 31 December 2018:

		Leasehold		Freehold	
Unobservable inputs		**Increase/ (decrease) in input**	**Increase/(decrease) In fair value $'000**	**Increase/ (decrease) in input**	**Increase/(decrease) in fair value $'000**
Capitalisation rate	Primary	1% / (1%)	(5,700) / 6,900	1% / (1%)	(179,000) / 236,200
	Secondary	2% / (2%)	(2,600) / 3,800	2% / (2%)	(53,800) / 86,800
Sustainable occupancy		5% / (5%)	5,600 / (4,400)	5% / (5%)	110,400 / (103,464)
Stabilised average EBITDA		5% / (5%)	2,400 / (2,500)	5% / (5%)	67,200 / (59,300)

At 30 June 2018:

		Leasehold		Freehold	
Unobservable inputs		**Increase/ (decrease) in input**	**Increase/(decrease) In fair value $'000**	**Increase/ (decrease) in input**	**Increase/(decrease) in fair value $'000**
Capitalisation rate	Primary	1% / (1%)	(5,600) / 7,400	1% / (1%)	(165,546) / 218,802
	Secondary	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)

9. Intangibles

	31 Dec 2018 $'000	**30 Jun 2018 $'000**
Goodwill	43,954	43,954
Other intangibles	2,270	2,051
Total intangible assets	**46,224**	**46,005**

Impairment testing of goodwill

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

The recoverable amount of the listed group has been determined based on the fair value less costs of disposal method using the fair value quoted on an active market. As at 31 December 2018 NSR had 668,491,074 stapled securities quoted on the ASX at $1.76 per security providing a market capitalisation of $1,176m. This amount is in excess of the carrying amount of the Group's net assets. Had the security price decreased by 5% the market capitalisation would still have been in excess of the carrying amount. The Directors have not identified any indicators of impairment of goodwill as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

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

10. Borrowings

	31 Dec 2018 $'000	30 Jun 2018 $'000
Non-current borrowings		
Bank finance facility	628,148	600,348
Non-amortised borrowing costs	(3,627)	(3,938)
Total non-current borrowings	**624,521**	**596,410**

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

Drawn amounts and facility limits are as follows:

	31 Dec 2018 $'000	30 Jun 2018 $'000
Bank finance facilities (AUD)		
Drawn amount	516,400	520,300
Facility limit	580,000	605,000
Bank finance facilities (NZD)		
Drawn amount	117,450	87,500
Facility limit	146,750	121,000
AUD equivalent of NZD facilities shown above		
Drawn amount	111,748	83,252
Facility limit	139,625	110,696

The major terms of these agreements are as follows:

- At both 31 December and 30 June 2018, maturity dates on these facilities range from 23 July 2019 to 23 December 2026.
- All facilities are interest only with any drawn balance payable at maturity.
- The interest rate applied is the bank bill rate plus a margin.
- Security has been granted over the Group's freehold investment properties.

The Group has a bank overdraft facility with a limit of AUD $3m that was undrawn at 31 December and 30 June 2018.

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

Interest rate swaps

The Group has AUD $400m (30 June 2018: $270m), and NZD $73.5m (AUD $69.9m) (30 June 2018: NZD $53.5m (AUD $48.9m)) of current interest rate hedges and AUD $150m (30 June 2018: $400m), and NZD $50m (AUD $47.6m) (30 June 2018: NZD $100m (AUD $91.5m)) of future interest rate hedges in place as at 31 December 2018, with maturity dates ranging from 23 September 2019 to 23 September 2026 (30 June 2018: 24 September 2018 to 23 September 2026).

NOTES TO THE FINANCIAL STATEMENTS

11. Financial instruments fair value measurement

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

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

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

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

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

At 31 December 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative used for hedging - interest rate swaps				
Non-current financial assets	-	568	-	568
Current financial liabilities	-	(982)	-	(982)
Non-current financial liabilities	-	(6,356)	-	(6,356)
	-	**(6,770)**	**-**	**(6,770)**
At 30 June 2018				
Derivative used for hedging - interest rate swaps				
Current financial asset	-	87	-	87
Non-current financial assets	-	2,099	-	2,099
Current financial liabilities	-	(3)	-	(3)
Non-current financial liabilities	-	(4,380)	-	(4,380)
	-	**(2,197)**	**-**	**(2,197)**

There were no transfers between levels of fair value hierarchy during the period ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

12. Contributed equity

Issued and paid up capital	31 Dec 2018 $'000	30 Jun 2018 $'000
Stapled securities	82,937	66,128

Number of stapled securities on issue	31 Dec 2018 No.	30 Jun 2018 No.
Opening balance at 1 July	559,107,042	512,913,914
Institutional and retail placement	105,677,937	39,712,882
Distribution reinvestment plan	3,706,095	6,480,246
Closing balance	**668,491,074**	**559,107,042**

Capital raise

During the period, the Group undertook a fully underwritten $175.4m equity raising. This resulted in the issue 105,677,937 new stapled securities.

Distribution reinvestment plan

During the period 3,706,095 stapled securities were issued to securityholders participating in the Group's DRP for consideration of $6.3m (year ended 30 June 2018: 6,480,246 stapled securities issued under the DRP for consideration of $9.6m).

Terms and conditions of contributed equity

Stapled securities

A stapled security represents one share in NSH and one unit in NSPT. Stapled securityholders have the right to receive declared dividends from NSH and distributions from NSPT and are entitled to one vote per stapled security at securityholders' meetings. Holders of stapled securities can vote in accordance with the *Corporations Act 2001*, either in person or by proxy, at a meeting of either NSH or NSPT. The stapled securities have no par value. In the event of the winding up of NSH and NSPT, stapled securityholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held. Ordinary stapled securityholders rank after all creditors in repayment of capital.

NOTES TO THE FINANCIAL STATEMENTS

13. Related party transactions

The following tables provide the total amount of transactions that have been entered into with related parties for the six months ended 31 December 2018 and 2017, as well as balances with related parties as at 31 December 2018 and 30 June 2018.

Transaction with related parties

		Revenue from related parties $	Purchases from related parties $	Amount owed by related parties $	Amount owed to related parties $
Australia Prime Storage Fund	Current period	190,678	-	103,844	-
	Comparative period	552,243	-	307,471	-
Bundall Commercial Trust	Current period	191,423	-	3,631,360	-
	Comparative period	199,246	-	4,173,414	-
Bundall Storage Trust	Current period	814,590	-	9,357,568	-
	Comparative period	569,728	-	3,558,114	-
Spacer Marketplaces Pty Ltd	Current period	-	31,046	-	7,893
	Comparative period	-	-	-	-

As at 31 December 2018, subsidiaries of NSH, had receivables outstanding of $3,037,500 with the Bundall Commercial Trust and $6,837,500 with the Bundall Storage Trust relating to amounts drawn down under facility agreements between the entities. These are included in the table above. The facility agreements have terms ranging from 1 to 5 years, and is interest bearing on commercial rates. The receivables have been classed as a current receivable in the statement of financial position as this receivable is expected to be repaid within 12 months of 31 December 2018. The remaining amounts owed to by the Bundall Commercial Trusts and Bundall Storage Trusts relate to contractual management fees and accrued interest not paid at 31 December 2018.

All other outstanding balances at period end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the periods ended 31 December 2017 and 30 June 2017, the Consolidated Group has not recorded any impairment of receivables relating to amounts owed by related parties.

14. Distributions paid and proposed

Unit distributions Distributions declared	**31 Dec 2018 $'000**	**31 Dec 2017 $'000**
NSPT interim distribution of 4.5 cents per unit payable on 1 March 2019 (26 February 2018: 4.7 cents per unit)	30,082	25,826

NOTES TO THE FINANCIAL STATEMENTS

15. Commitments and contingencies

Capital commitments

As at 31 December 2018, the NSPT Group held a commitment to purchase a freehold investment property in Brisbane, Queensland for $12m.

As at 31 December 2018 and 30 June 2018, the NSPT Group has contractual commitments in place for a freehold investment property under construction in Melbourne, Victoria (see note 5).

As at 31 December 2018, the Group 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 31 December 2018, the Group had incurred project costs of $2m which have been classified as freehold investment property under construction (see note 5). The Group is committed to additional expenditure of $6.8m, to be paid on agreed milestones subject to the completion of the project.

There is no other capital expenditure contracted for at the end of the reporting period but not recognised as a liability (30 June 2018: nil).

There are no other contingent assets or liabilities for the Group.

16. Earnings per stapled security

	31 Dec 2018 cents	31 Dec 2017 cents (adjusted)
Basic and diluted earnings per stapled security	4.31	11.54
Reconciliation of earnings used in calculating earnings per stapled security		
Basic and diluted earnings per security	**$'000**	**$'000**
Net profit attributable to members	27,133	59,813
	No. of securities	**No. of securities**
Weighted average number of securities for basic and diluted earnings per stapled security	628,838,159	518,343,700

The weighted average number of securities for the period ended 31 December 2017 used to calculate basic and diluted earnings per share has been restated for the effect of stapled securities issued in the current period ended 31 December 2018 under the institutional and retail placement and distribution reinvestment plan.

17. Events after reporting period

No event has occurred between the reporting date and the issue date of the half year report which require disclosure in the financial statements.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes of NSR for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:
   a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
   b. complying with Accounting Standards and the *Corporations Regulations 2001*; and

(b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that NSR will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

Laurence Brindle
Chairman

Andrew Catsoulis
Managing Director

26 February 2019
Brisbane

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of National Storage Financial Services Limited, the Responsible Entity state that:

In the opinion of the Responsible Entity:

(a) the financial statements and notes of NSR (to the extent they include a component of NSPT) for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:
   a. giving a true and fair view of NSR's financial position (to the extent it includes a component of NSPT) as at 31 December 2018 and of its performance for the half-year ended on that date; and
   b. complying with Accounting Standards and the *Corporations Regulations 2001*; and

(b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that NSR (to the extent it includes a component of NSPT) will be able to pay its debts as and when they become due and payable.

On behalf of the Responsible Entity,

Laurence Brindle	Andrew Catsoulis
Director	Director

26 February 2019
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of National Storage REIT and the entities it controlled (the Group) during the half-year, which comprises the interim statement of financial position as at 31 December 2018, the interim statement of profit or loss, the interim statement of other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

INDEPENDENT AUDITOR'S REVIEW REPORT

EY
Building a better working world

Independence

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

Ernst & Young

Ric Roach
Partner
Brisbane
26 February 2019