NATIONAL STORAGE PROPERTY TRUST (NSPT)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

National Storage Financial Services Limited ACN 600787246 AFSL 475228
as responsible entity for
National Storage Property Trust ARSN 101227712

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CORPORATE INFORMATION

National Storage Property Trust ARSN 101 227 712 ("**NSPT**")[1]

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

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

Unit registry
Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Auditor
Ernst & Young
111 Eagle Street
Brisbane QLD 4000

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[1] NSPT is stapled to National Storage Holdings Limited ("**NSH**") to form National Storage REIT ("**NSR**"). NSR stapled securities are quoted on the Australian Securities Exchange ("**ASX**") – trading code ASX:NSR.

DIRECTORS' REPORT

The NSPT Group is a Consolidated Group of Trusts which hold freehold investment properties in Australia and New Zealand. The units in NSPT are stapled to the shares of National Storage Holdings Limited ("**NSH**") to form National Storage REIT (**"NSR"**). NSR is quoted 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 NSH and the number of units in NSPT shall be equal and that the shareholders and unitholders be identical. The Responsible Entity of the Trust must at all times act in the best interest of NSPT. The stapling arrangement will continue until either the winding up of NSH or NSPT, or either entity terminates the stapling arrangements.

The Directors of National Storage Financial Services Limited as responsible entity of NSPT present their report together with the financial statements of National Storage Property Trust ("**NSPT Group**") for the financial year ended 30 June 2018 ("**Reporting Period**").

DIRECTORS

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 (Appointed 18 July 2017)

PRINCIPAL ACTIVITES

NSPT and its sub trusts hold freehold properties in Australia and New Zealand for the purpose of earning rental returns and generating capital growth.

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 year ended 30 June 2018, total revenue increased by 15% to $60,537,000 (30 June 2017: $52,769,000) through increased rental income from investment properties acquired during the current year. Profit after tax increased by 50% to $144,002,000 (30 June 2017: $96,266,000). This was favourably impacted by fair value adjustments associated with the carrying value of investment properties.

Capital management

Cash and cash equivalents as at 30 June 2018 were $2,655,000 (30 June 2017: $8,748,000). An interim distribution of 4.7 cents per unit ($25.8m) was paid on 26 February 2018 with a final distribution of 4.9 cents per unit ($27.4m) declared on 21 June 2018 with an estimated payment date of 29 August 2018, delivering a 4.3% increase in the total distribution for the year to 9.6 cents per unit.

During the reporting period NSPT continued to offer a Distribution Reinvestment Plan ("**DRP"**) which enables eligible unit holders to receive part or all of their distribution by way of units rather than cash.

DIRECTORS' REPORT

For the December 2017 interim distribution, 18% of eligible unitholders (by number of units) elected to receive their distributions as securities totalling $4.6m. The DRP price was set at $1.4472 which resulted in 3,232,481 new securities being issued.

The June 2018 final distribution has seen 23% of eligible unitholders (by number of units) elect to receive their distributions by way of securities, totalling $6.3m. The price of the DRP securities was determined on a 10-day volume weighted average market price ("**VWAP**") commencing on and including 6 August 2018 less a 2.0% discount.

Net operating cashflow for the year was $55,005,000 (30 June 2017: $39,637,000).

NSR's finance facilities are on a "Club" arrangement with a selection of major Australian banks and a major Australian superannuation fund. NSR's borrowing capacity is AUD $605m and NZD $121m (AUD $110.7m). During the period NSR refinanced part of the existing debt portfolio and increased its club banking facilities by AUD $150m and NZD $25m to facilitate the acquisition of additional storage centres in Australia and New Zealand. These acquisitions are reflected in the financial statements of the Group.

During the year, NSR undertook a fully underwritten $50m equity raising by way of a placement to institutional and professional investors. This resulted in the issue of 33,333,334 new stapled securities. NSR also raised a further $9.5m from a security purchase plan offered to existing securityholders. This resulted in the issue of 6,379,548 new stapled securities. 90% of the value of equity raised has been apportioned to the NSPT Group based upon the proportionate net asset split of NSR at the most recent financial reporting period prior to the equity raise.

Investments

The successful execution of NSR's acquisition strategy has seen 20 new centres acquired to the date of this Directors' Report. The storage centres acquired were:

Region	NLA (Sqm)	Purchase Price
New South Wales Morisset North Wyong	7,300	$11.9m
New Zealand Ngauranga Te Rapa	7,900	NZ$21.3m
Northern Territory Darwin	8,800	$14.0m
Queensland Carrara[1] Hope Harbour Milton (development site) Marcoola Robina Townsville (5 Centres)	45,200	$83.9m
Victoria Geelong Mornington	7,300	$10.9m
Western Australia Jandakot (Property) Perth Airport[1]	11,000	$15.1m
Total[2]	**87,500**	**$155.3m**

1 - Developing Centres

2 - AUD/NZ 1.10

DIRECTORS' REPORT

The Milton development site acquired in November 2017 was sold to the Bundall Storage Trust, a joint venture in which NSPT holds a 25% interest in March 2018.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 24 July 2018, the Group completed the acquisition of two storage centre assets in Beresfield and Thornton, New South Wales for $5.5m.

On 25 July 2018, the Group completed the acquisition of a storage centre asset in Rutherford, New South Wales for $7.3m.

Subsequent to 30 June 2018, The Group has entered into sale and purchase agreements for the acquisition of three storage facilities for a combined purchase price of $42.3m. These are expected to settle by mid-September 2018.

Contemporaneously with the release of this report NSR announced a $175m fully underwritten capital raising.

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.

FEES PAID TO AND INTERESTED 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 18 to the financial statements.

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

This report is made on 21 August 2018 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

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111 Eagle Street
Brisbane QLD 4000 Australia
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Auditor's Independence Declaration to the Directors of National Storage Financial Services Limited as responsible entity of National Storage Property Trust

As lead auditor for the audit of National Storage Property Trust for the financial year ended 30 June 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 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 Property Trust and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Ric Roach
Partner
21 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Notes	Consolidated Trust 2018 $'000	2017 $'000
Rental revenue		60,096	52,511
Revenue from sale of goods and services		374	-
Other revenue	5	67	258
Total revenue		**60,537**	**52,769**
Management fees - operational		(1,503)	(2,311)
Other operational expenses		(409)	(327)
Finance costs		(20,505)	(15,137)
Share of (loss) / profit of joint ventures and associates	10	(28)	1,509
Fair value adjustments	8.2	106,109	73,975
Business combination costs		-	(13,536)
Restructuring and other non-recurring costs		(18)	-
Profit before income tax		**144,183**	**96,942**
Income tax expense	6	(181)	(676)
Profit after tax		**144,002**	**96,266**
Profit for the year attributable to:			
Unitholders of National Storage Property Trust		**144,002**	**96,266**
Basic and diluted earnings per unit (cents)	17	26.82	19.27

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Consolidated Trust 2018 $'000	2017 $'000
Profit after tax	**144,002**	**96,266**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(347)	5
Net (loss) / gain on cash flow hedges	(2,028)	6,403
Other comprehensive (loss) / income for the year, net of tax	**(2,375)**	**6,408**
Total comprehensive income for the year	**141,627**	**102,674**
Total comprehensive income for the year attributable to:		
Unitholders of National Storage Property Trust	**141,627**	**102,674**

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 2018

	Notes	Consolidated Trust 2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7.1	2,655	8,748
Trade and other receivables	7.2	622	428
Assets held for sale	8.1	5,713	5,713
Other current assets	7.3	100	7
Total current assets		**9,090**	**14,896**
Non-current assets			
Trade and other receivables	7.2	60,816	58,328
Investment properties	8.2	1,363,461	1,089,111
Investment in joint ventures	10	3,248	913
Other non-current assets	7.3	2,099	3,328
Total non-current assets		**1,429,624**	**1,151,680**
Total Assets		**1,438,714**	**1,166,576**
LIABILITIES			
Current liabilities			
Trade and other payables	7.4	4,343	642
Deferred revenue	8.3	168	138
Income tax payable		106	314
Distribution payable	14	27,396	23,594
Other liabilities	7.6	3	166
Total current liabilities		**32,016**	**24,854**
Non-current liabilities			
Borrowings	7.5	595,160	480,520
Deferred tax liability	6	606	322
Other liabilities	7.6	4,380	3,259
Total non-current liabilities		**600,146**	**484,101**
Total Liabilities		**632,162**	**508,955**
Net Assets		**806,552**	**657,621**
EQUITY			
Contributed equity	11	604,207	543,476
Other reserves	12	(2,188)	187
Retained earnings		204,533	113,958
Total Equity		**806,552**	**657,621**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Attributable to unitholders of National Storage Property Trust

	Notes	Contributed equity $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Total Equity $'000
Balance at 1 July 2017		**543,476**	**113,958**	**232**	**(45)**	**657,621**
Profit for the year		-	144,002	-	-	144,002
Other comprehensive income		-	-	(347)	(2,028)	(2,375)
Total comprehensive income		**-**	**144,002**	**(347)**	**(2,028)**	**141,627**
Issue of units through institutional and retail placements		53,553	-	-	-	53,553
Issue of units through distribution reinvestment plan		8,654	-	-	-	8,654
Costs associated with issue of units		(1,476)	-	-	-	(1,476)
Distributions provided for or paid	14	-	(53,427)	-	-	(53,427)
		60,731	**(53,427)**	**-**	**-**	**7,304**
Balance at 30 June 2018		**604,207**	**204,533**	**(115)**	**(2,073)**	**806,552**
Balance at 1 July 2016		**299,760**	**64,433**	**227**	**(6,448)**	**357,972**
Profit for the year		-	96,266	-	-	96,266
Other comprehensive income		-	-	5	6,403	6,408
Total comprehensive income		-	**96,266**	**5**	**6,403**	**102,674**
Issue of units through institutional and retail placement		233,646	-	-	-	233,646
Issue of units through distribution reinvestment plan		8,106	-	-	-	8,106
Issue of units through vendor scrip issue		7,572	-	-	-	7,572
Costs associated with issue of units		(5,608)	-	-	-	(5,608)
Distributions provided for or paid	14	-	(46,741)	-	-	(46,741)
		243,716	**(46,741)**	**-**	**-**	**196,975**
Balance at 30 June 2017		**543,476**	**113,958**	**232**	**(45)**	**657,621**

The above 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 2018

	Notes	Consolidated Trust 2018 $'000	2017 $'000
Operating activities			
Receipts from customers		57,832	42,205
Payments to suppliers and employees		(2,858)	(2,465)
Interest received		52	52
Income tax paid		(21)	(155)
Net cash flows from operating activities	7.1	**55,005**	**39,637**
Investing activities			
Purchase of investment properties		(167,930)	(135,159)
Proceeds on sale of investment property		4,400	1,600
Acquisition of subsidiary and property portfolio, net of cash acquired		-	(273,138)
Return of capital on dissolution of joint venture	10	-	9,950
Development of investment property under construction		(3,661)	(323)
Investments in joint venture	10	(2,363)	(913)
Net cash flows used in investing activities		**(169,554)**	**(397,983)**
Financing activities			
Proceeds from issue of units	11	53,553	233,646
Transaction costs on issue of units		(1,476)	(5,608)
Distributions paid to unitholders		(40,045)	(28,947)
Proceeds from borrowings		195,222	408,041
Repayment of borrowings		(76,820)	(190,780)
Financing provided to joint venture	15	-	(41,745)
Interest and other finance costs paid		(21,688)	(16,916)
Net cash flows from financing activities		**108,746**	**357,691**
Net decrease in cash and cash equivalents		(5,803)	(655)
Net foreign exchange difference		(290)	36
Cash and cash equivalents at 1 July		8,748	9,367
Cash and cash equivalents at 30 June	7.1	**2,655**	**8,748**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. CORPORATE INFORMATION

The NSPT Group is a Consolidated Group of Trusts which hold freehold investment properties in Australia and New Zealand. The units in NSPT are stapled to the shares of National Storage Holdings Limited ("**NSH**") to form National Storage REIT (**"NSR"**). NSR is quoted 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 NSH and the number of units in NSPT shall be equal and that the shareholders and unitholders be identical. The Responsible Entity of the Trust must at all times act in the best interest of NSPT. 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 Group for the year ended 30 June 2018 was approved on 21 August 2018, in accordance with a resolution of the Directors of National Storage Financial Services Limited, the Responsible Entity of NSPT.

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 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. NSPT 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.

The accounting policies applied by NSPT in these financial statements are the same as the 30 June 2017 financial statements except for the accounting policies impacted by new or amended accounting standards detailed in this note.

The Group's financial information has previously been disclosed alongside the financial information of NSR in a joint report. The Directors of the Responsible Entity have decided to present this financial information separately from 1 July 2017, to provide more relevant information to stakeholders of each entity. These statements represent the first financial year where a separate report has been produced for the NSPT Group.

Deficiency of net current assets

As at 30 June 2018, the Group had an excess of current liabilities over current assets of $22.9m.

At 30 June 2018, the Group has $60.8m of related party receivables due from the NSH Group, a related party. The Group maintains the option of receiving payment for these amounts should this be required to manage the Group's cash flow requirements. The Group also has available funding facilities beyond a year of $115.4m (see note 7.5).

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

(b) Compliance with IFRS

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

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

The accounting policies adopted are consistent with those of the previous financial year except as detailed below.

The following new and amended standards relevant to the Group's activities have been adopted for the reporting period commencing 1 July 2017.

Reference	Title	Application date of standard	Application date for Group
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	1 July 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	1 July 2017

Adoption of these standards have had no material impact in the presentation or disclosures within the financial statements and are not likely to affect future periods.

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 and have not been adopted by the NSPT Group for the annual reporting period ended 30 June 2018 are outlined in the following table.

Reference	Title	Summary and impact on the financial report	Application date of standard	Application date for the Group
AASB 9	Financial Instruments	AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. During the year, the Group has conducted an assessment of the impact of adopting this standard. This has focussed on the nature of financial instruments held and the way in which they are used. There are three phases of the standard that have been assessed: (i) Classification and measurement The standard adopts a principles based approach to classify financial assets on the basis of the business model within which they are held and their contractual cash flow characteristics. The Group anticipates that the current classifications for financial assets will be largely unchanged. (ii) Impairment The standard includes the requirement that impairment models also consider the expected credit losses on an entity's financial assets held at amortised cost and commitments to extend credit. The Group is currently concluding an assessment on the impact of AASB 9 on the carrying value of related party receivables from the NSH Group. The Group will review the impact of the new standard and the structure of related party balances during the next financial reporting period. (iii) Hedge accounting The standard does not materially change the amounts recognised in relation to existing hedging arrangements but does simplify the requirements for measuring hedge effectiveness, and thus the eligibility conditions for hedge accounting. The Group anticipates that there will be minimal impact from adoption on the current hedge accounting under AASB 139 adopted by the Group.	1 January 2018	1 July 2018

Reference	Title	Summary and impact on the financial report	Application date of standard	Application date for the Group
AASB 15	Revenue from Contracts with Customers	AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group's revenue streams have application under other relevant standards and therefore, application of AASB 15 does not apply (rental income). Where the Standard does apply, the Group has assessed that there will be no change to the recognition or measurement of revenue upon application of the standard or has considered that the impact to the Group's results to be immaterial.	1 January 2018	1 July 2018
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.	1 January 2019	1 July 2019

Reference	Title	Summary and impact on the financial report	Application date of standard	Application date for the Group
		The Group's analysis of leases indicates that, as a lessor, the adoption of this standard will not impact the Group.		
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in: • AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters • AASB 12 Disclosure of Interests in Other Entities – clarification of scope • AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value • AASB 140 Investment Property – change in use.	1 January 2018	1 July 2018
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.	1 January 2018	1 July 2018
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: • 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.	1 January 2019	1 July 2019
AASB 2017-7	Amendments to Australian	This Standard amends AASB 128 Investments in Associates and Joint	1 January 2019	1 July 2019

Reference	Title	Summary and impact on the financial report	Application date of standard	Application date for the Group
	Accounting Standards – Long-term Interests in Associates and Joint Ventures	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.		
Not yet issued by the AASB	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 consolidated financial statements of NSPT as at 30 June 2018 comprises the consolidated group consisting of the parent entity and sub-trusts.

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 an associate investment that is 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.

The Group has a number of arrangements, one where the Group's equity interest exceeds 50%, which 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, supervision and decision making of each 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.

Rental revenue
Revenue from rental of investment properties is recognised on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss.

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 tax 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 positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation 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 any 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.

*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.

(g) Business combinations and goodwill

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 139 *Financial Instruments: Recognition and Measurement*, 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) 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.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see note 7.2 for further information about the Group's accounting for trade receivables and note 13 for a description of the group's impairment policies).

(j) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

All financial assets are recognised initially at fair value, plus in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include 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 as defined by AASB 139.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and other operational expenses for receivables.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Available-for-sale financial assets
Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group currently has no available-for-sale financial assets.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost
For loans and receivables and held to maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(k) Derivatives and hedging activities

The Group uses derivative financial instruments, such as interest rate swaps 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).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 7.8. Movements in the hedging reserve in equity are shown in note 12. 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.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). On reclassification, the gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(l) 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 Responsible Entity has outsourced completion of the Director valuations to the NSH Group Board under a management agreement. 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.

(m) 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.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Payables to related parties are carried at the principal amount. No interest is charged on these payables.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. 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 that 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. To the extent 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.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

(p) Borrowing costs

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.

(q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Units 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.

(r) Distributions to unitholders

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.

(s) 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.

(t) Parent entity financial information

The financial information for the parent entity, NSPT, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements, except in relation to investments in subsidiaries which are accounted for at cost in the financial statements of NSPT.

(u) 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 7.8 and 8.4.

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

Accounting treatment of acquired centres
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 to be made is whether the transaction constitutes a purchase of a 'business', if so it will be accounted for under AASB3. A substantial test of a business purchase, is if in addition to 'inputs' acquired ie. the property, 'processes' such as strategic, operational and resource management process are also acquired.

If it is determined that the transaction does not meet this definition, the transaction is accounted for as a purchase of an asset under AASB140, as an acquisition of a storage centre(s) held for rental return and capital appreciation.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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 control of the Group. 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 8.4.

For the year ended 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 8.2.

4. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal management information used by the Group's executive management team, the Group's chief decision makers.

The Group operates wholly within one business segment being the ownership of storage centres in Australia and New Zealand. The operating results presented in the Statement of Profit and Loss represent the same segment information as reported to the Responsible Entity of NSPT.

The Group's financing (including finance costs and finance income) are managed on a Group basis and not allocated to operating segments.

Geographic information

	2018 $'000	2017 $'000
Revenue from external customers		
Australia	55,381	48,250
New Zealand	5,156	4,519
Total	60,537	52,769

The revenue information above is based on the location of storage centres.

Geographic information

	2018 $'000	2017 $'000
Non-current operating assets		
Australia	1,277,361	1,020,559
New Zealand	86,100	68,552
Total	1,363,461	1,089,111

Non-current assets for this purpose consists of investment properties, investment in joint ventures and associates and other non-current assets (excluding goodwill).

96% of total revenue is received from the NSH Group, a related entity.

5. OTHER REVENUE

	2018 $'000	2017 $'000
Other revenue		
Interest revenue	52	52
Other revenue	15	206
Total other revenue	67	258

6. 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 2018 and 30 June 2017 are:

	Notes	2018 $'000	2017 $'000
Consolidated statement of profit or loss			
Current tax		(204)	317
Deferred tax		385	359
Total income tax expense		181	676
Consolidated statement of other comprehensive income			
Deferred tax relating to items recognised in other comprehensive income during the year			
Net (loss) / gain on revaluation of cash flow hedges	12	(84)	24
Deferred tax charged to other comprehensive income		(84)	24
Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2018 and 2017:			
Profit from continuing operations		144,183	96,942
Deduct profit before tax from Trusts owning Australian property		(141,015)	(96,248)
Accounting profit before income tax		3,168	694
Tax at the Australian tax rate of 30% (2017 – 30%)		950	208
Non-assessable income		(98)	-
Adjustments in respect of previous years		(609)	(41)
Other non-deductible expenses		-	510
Effect of lower tax rates in New Zealand		(62)	(1)
Income tax expense		181	676

	2018 $'000	2017 $'000

The Group offsets tax assets and liabilities if it has a legally enforceable right to set off current tax assets

	2018 $'000	2017 $'000
Deferred tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(79)	39
Increase in deferred tax liabilities	363	344
Exchange variations	17	-
Movement in deferred tax asset recognised in other comprehensive income	84	(24)
Total deferred tax expense	385	359
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Revaluation of cash flow hedges	130	50
Other	20	21
Total deferred tax assets	150	71
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Revaluations of investment properties	(756)	(391)
Unrealised foreign exchange losses	-	(2)
Total deferred tax liabilities	(756)	(393)
Net deferred tax liability	(606)	(322)
Reconciliation to statement of financial position		
Deferred tax liability	(606)	(322)

and current tax liabilities and the deferred tax asset and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Group has no tax losses that are available for offsetting against future taxable profits (2017: nil).

7. 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;
- 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 holds the following financial instruments:

	Notes	2018 $'000	2017 $'000
Financial assets			
At amortised cost			
Cash and cash equivalents	7.1	2,655	8,748
Trade and other receivables	7.2	61,438	58,756
		64,093	67,504
Derivatives used for hedging – at fair value through other comprehensive income	7.3	2,186	3,328
Total financial assets		66,279	70,832
Financial liabilities			
At amortised cost			
Trade and other payables	7.4	4,343	642
Borrowings	7.5	599,098	483,365
		603,441	484,007
Derivatives used for hedging – at fair value through other comprehensive income	7.6	4,383	3,425
Total financial liabilities		607,824	487,432

The Group's approach to financial risk management is discussed in note 13. 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.

7.1. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank	2,655	8,748

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

	2018 $'000	2017 $'000
Profit after income tax	144,002	96,266
Income tax expense	181	676
Profit before tax	144,183	96,942
Adjustments to reconcile profit before tax to net cash flows:		
Fair value adjustment to investment properties	(106,109)	(73,975)
Share of loss / (profit) of joint venture	28	(1,509)
Finance income	(52)	(52)
Finance costs	20,505	15,137
Business combination costs	-	13,536
Changes in operating assets and liabilities:		
Increase in receivables	(3,608)	(10,587)
(Increase) / decrease in other assets	(6)	119
Increase in payables	3	50
Increase in deferred revenue	30	79
Cash flows from operating activities	**54,974**	**39,740**
Interest received	52	52
Income tax paid	(21)	(155)
Net cash flows from operating activities	**55,005**	**39,637**

7.2. Trade and other receivables

	Notes	2018 $'000	2017 $'000
Current			
Other receivables		622	428
Non-current			
Receivables from related parties	15	60,816	58,328
Total current and non-current		61,438	58,756

7.3. Other assets

	2018 $'000	2017 $'000
Current		
Prepayments	13	7
Financial assets (derivatives)	87	-
	100	7
Non-current		
Financial assets (derivatives)	2,099	3,328
Total current and non-current	2,199	3,335

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 held by the Group, for further details see note 7.5.

7.4. Trade and other payables

	2018 $'000	2017 $'000
Current		
Accrued expenses	905	537
Goods and services tax and employment taxes payable	91	77
Other payables	3,347	28
Total	4,343	642

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.

7.5. Borrowings

	2018 $'000	2017 $'000
Non-current		
Bank finance facility	599,098	483,365
Non-amortised borrowing costs	(3,938)	(2,845)
Total borrowings	595,160	480,520

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

The major terms of these agreements are as follows:

- The facility limits are AUD $605m (2017: $455m) and NZD $121m (AUD $110.7m) (2017: NZD $96m (AUD $91.5m) of which AUD $520.3m (2017: $417.5m), and NZD $87.5m (AUD $80m) (2017: NZD $70.5m (AUD $67.2m)) was drawn at the year end.
- Maturity dates on the facilities range from 23 July 2019 to 23 December 2026 (2017: 23 December 2019 to 23 December 2026).
- All facilities are interest only facilities with any drawn balances payable at maturity.
- The interest rate applied is the bank bill rate (BBSY) plus a margin depending on the gearing ratio. At 30 June 2018 the Group's weighted average interest margin is 1.75% (30 June 2017: 1.69%).
- Security has been granted over the Group's freehold investment properties.

During the year, the Group refinanced part of the existing debt facilities and increased its club banking facilities by AUD $150m and NZD $25m.

The Group have complied with the financial covenants of their borrowing facilities during the 2018 and 2017 reporting periods (see note 14). 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 13.

Interest rate swaps

The Group have AUD $270m (2017: $230m), and NZD $53.5m (AUD $48.9m) (2017: NZD $40m (AUD $38.1m)) of current interest rate hedges and AUD $400m (2017: $180m), and NZD $100m (AUD $91.5m) (2017: NZD $13.5m (AUD $12.9m)) of future interest rate hedges in place as at the end of the reporting period with maturity dates ranging from 24 September 2018 to 23 September 2026 (2017: 22 December 2017 to 23 September 2026).

Under this arrangement the Group pays a fixed rate of interest of 2.25% (2017: 2.29%) and receives interest at a variable rate equal to BBSY on the notional amount. The swaps are used to hedge the exposure to changes in cash flows arising from its secured variable interest rate loan and has been designated as a cash flow hedge, recognised through other comprehensive income.

Hedge of net investments in foreign operations

Included in borrowings at 30 June 2018 was a borrowing of NZD $27.2m (AUD $24.9m) which has been designated as a hedge of the net investments against the value of investment property held in New Zealand (2017: NZD $23.1m, (AUD $22m)). 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 ineffectiveness in the years ended 30 June 2018 or 30 June 2017 recognised in the statement of profit or loss.

7.6. Other liabilities

	Notes	2018 $'000	2017 $'000
Current			
Financial liabilities (derivatives)	7.8	3	166
Non-current			
Financial liabilities (derivatives)	7.8	4,380	3,259
Total current and non-current		4,383	3,425

For details on the classification of derivatives see note 7.8.

7.7. Finance leases

The NSPT Group's investment properties are leased to entities within the NSH Group under long-term finance leases (see note 8.2).

7.8. 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 7.1 to 7.7. 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 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 2018					
Derivative used for hedging - interest rate swap					
Current financial assets	7.3	-	87	-	87
Non-current financial assets	7.3	-	2,099	-	2,099
Current financial liabilities	7.6	-	(3)	-	(3)
Non-current financial liabilities	7.6	-	(4,380)	-	(4,380)
		-	(2,197)	-	(2,197)
At 30 June 2017					
Derivative used for hedging - Interest rate swap					
Non-current financial assets	7.3	-	3,328	-	3,328
Current financial liabilities	7.6	-	(166)	-	(166)
Non-current financial liabilities	7.6	-	(3,259)	-	(3,259)
		-	(97)	-	(97)

There were no transfers between levels of fair value hierarchy during the years ended 30 June 2018 or 30 June 2017.

8. 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.

8.1. Assets held for sale

	Notes	2018 $'000	2017 $'000
Current assets			
Opening balance at 1 July		5,713	-
Items reclassified from freehold investment property	8.2	4,440	5,713
Disposals during the year		(4,400)	-
Total assets held for sale	8.4	5,713	5,713

On 21 December 2017, the Group entered into an agreement for the sale of the land and development rights of an investment property in Brisbane, Queensland to the Bundall Storage Trust. The Bundall Storage Trust is a related party (see note 10). The transaction settled on 29 March 2018.
This has resulted in a realised gain of $0.7m on the asset's carrying value. This has been included within fair value adjustments in the statement of profit or loss.

On 19 October 2016 in the prior period, the Group entered into 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 an unrealised gain of $0.8m from the asset's carrying value within freehold investment property at 30 June 2017. This was included within fair value adjustments in the statement of profit or loss in the prior period. Due to unforeseen circumstances outside of the Group's control the settlement has been delayed. The asset remains classified as held for sale at fair value at 30 June 2018 and the sale is expected to complete in the next 12 months.

8.2. Investment properties

	Notes	2018 $'000	2017 $'000
Investment properties at valuation			
Freehold investment properties	8.4	1,356,251	1,087,048
Investment property at cost			
Freehold investment property under construction		7,210	2,063
Total investment properties		1,363,461	1,089,111
Freehold investment properties at valuation			
Opening balance at 1 July		1,087,048	621,030
Property acquired through business combinations		-	259,602
Other property acquisitions		167,930	140,730
Property disposals		-	(2,800)
Improvements to investment properties		-	422
Items reclassified from freehold investment property under construction		2,301	-
Items reclassified to assets held for sale	8.1	(4,400)	(5,713)
Net gain from fair value adjustments		106,109	73,975
Effect of movement in foreign exchange		(2,737)	(198)
Closing balance at 30 June		1,356,251	1,087,048
Freehold investment property under construction at cost			
Opening balance at 1 July		2,063	-
Property acquisitions		-	2,063
Development costs		7,448	-
Items reclassified to freehold investment properties		(2,301)	-
Closing balance at 30 June		7,210	2,063

	2018 $'000	2017 $'000
Gains for the year in profit or loss (recognised in fair value adjustments)		
Realised gains	711	750
Unrealised gains	105,398	73,225
	106,109	73,975

Included within net gain from fair value adjustments is a realised gain of $711,000 relating to the contracted divestment of freehold investment properties during the year (30 June 2017: realised gain of $750,000 and unrealised gain of $779,000).

8.3. Deferred revenue

	2018 $'000	2017 $'000
Deferred rent revenue	168	138

In the Group, deferred rent revenue relates to rental income received in advance from tenants within investment properties.

8.4. 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 7.8 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 2018					
Assets held for sale	8.1	-	5,713	-	5,713
Freehold investment properties	8.2	-		1,356,251	1,356,251
		-	5,713	1,356,251	1,361,964
At 30 June 2017					
Assets held for sale	8.1	-	5,713	-	5,713
Freehold investment properties	8.2	-	-	1,087,048	1,087,048
		-	5,713	1,087,048	1,092,761

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 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 as detailed in note 8.1, this asset was then sold during the year.

In the prior year ended 30 June 2017 the Group transferred $5.7m 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 8.1.

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 2018 and 30 June 2017, 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 subtenants operating self-storage facilities. They are carried at fair value. Changes in fair values are presented in profit or loss as fair value adjustments.

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years unless the underlying financing requires a more frequent valuation 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

Responsible Entity has outsourced completion of the Director valuations to the NSH Group Board under a management agreement. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

As in the previous financial year, the Group has elected to obtain the majority of its independent valuation for a proportion of the portfolio at 30 June financial year end. This is consistent with the valuation cycle applied by other property investment trusts.

The Directors' valuations are applied to all investment properties which have not been valued by an independent valuer in the preceding 12 months. The carrying value of investment properties which have been independently valued within this timescale have been maintained at the independent valuation, unless there is evidence of impairment.

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

	External valuation %	Internal valuation %
Year ended 30 June 2018	27%	73%
Year ended 30 June 2017	38%	62%

The Group also obtained external valuations on 19 freehold investment properties acquired during the year end 30 June 2018 (year ended 30 June 2017: 12 freehold investment properties). These external valuations provide the basis of the Directors' valuations applied to these properties at 30 June 2018 and 30 June 2017. Including these valuations 43% of freehold investment properties, were subject to external valuations during the year (year ended 30 June 2017: 57% of freehold investment properties).

Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs	Range at 30 June 2018	Range at 30 June 2017
Investment properties - freehold	Capitalisation method	Primary capitalisation rate	6.5% to 8.3%	6.8% to 10.5%
		Secondary capitalisation rate	7.0% to 9.5%	7.0% to 12.0%
		Sustainable occupancy	72% to 95%	75% to 95%
		Stabilised average EBITDA	$898,767	$910,463

Under the income capitalisation method, a property's fair value is estimated based on the stabilised average earnings before interest, tax, depreciation and amortisation ("**EBITDA**") generated by the property, which is divided by the capitalisation rate (the investor's required rate of return). The capitalisation rate is derived from recent sales of similar properties.

The primary capitalisation rate is used to discount future cashflows to present value based upon an investment property's current occupancy and EBITDA. The secondary capitalisation rate is used to discount to present value additional cashflows generated at sustainable occupancy and stabilised average EBITDA. The secondary capitalisation rate is typically higher than the primary capitalisation rate to reflect the additional risk associated with these cashflows.

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 stabilised average EBITDA is derived from a property's revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, forecast non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. Generally, an increase in stabilised average 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 following tables present the sensitivity of the fair values of investment property to changes in input assumptions.

At 30 June 2018:

	Increase/ (decrease) in input	**Increase/ (decrease) in fair value $'000**
Primary capitalisation rate	1% / (1%)	(165,546) / 218,802
Secondary capitalisation rate	2% / (2%)	(37,357) / 62,981
Sustainable occupancy	5% / (5%)	101,181 / (83,464)
Stabilised average EBITDA	5% / (5%)	61,570 / (55,370)

At 30 June 2017:

	Increase/ (decrease) in input	**Increase/ (decrease) in fair value $'000**
Primary capitalisation rate	1% / (1%)	(107,140) / 139,950
Secondary capitalisation rate	2% / (2%)	(31,860) / 50,320
Sustainable occupancy	5% / (5%)	102,400 / (78,350)
Stabilised average EBITDA	5% / (5%)	46,080 / (46,350)

9. INFORMATION RELATING TO SUBSIDIARIES

The holding entity

The ultimate holding entity of the NSPT Group is National Storage Property Trust. The units in NSPT are stapled to the shares of National Storage Holdings Limited ("**NSH**") to form National Storage REIT (**"NSR"**). NSR is quoted on the Australian Securities Exchange ("**ASX**").

The consolidated financial statements of the NSPT Group as at 30 June 2018 include:

Name of controlled entity	**Place of registration**	**Equity interest 2018**	**2017**
National Storage Investment Trust	Australia	100%	100%
National Storage Victorian Property Trust	Australia	100%	100%
National Storage New Zealand Property Trust *	New Zealand	100%	100%
National Storage Southern Trust	Australia	100%	100%

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

10. INTEREST IN JOINT VENTURE

	2018 $'000	2017 $'000
Opening balance at 1 July	913	8,441
Capital contribution / acquisition of units in joint venture	2,363	913
Share of (loss) / profit from joint venture	(28)	1,509
Return of capital on dissolution of joint venture	-	(9,950)
Closing balance at 30 June	3,248	913

Investment in joint venture

The NSPT Group holds a 25% interest in the Bundall Storage Trust (2017: 25%).

During the year ended 30 June 2018, the Group invested a further $2.4m into the Bundall Storage Trust. There was no change in the share of the Group's interest following this investment. On 29 March 2018, the Bundall Storage Trust purchased the land and development rights of an investment property asset in Brisbane, Queensland from the Group for $4.4m. As at 30 June 2018 the Bundall Storage Trust has two storage centre investment property assets under construction.

This investment is 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 and supervision of the trust.

The Bundall Storage Trust is not listed on any public exchange.

As at 30 June 2018, the Bundall Storage Trust has contractual commitments in place for the construction of two self-storage centres in Queensland, Australia. The Bundall Storage Trust had no contingent liabilities at 30 June 2018.

On 30 August 2016 in the prior year, the Group purchased the investment properties of Southern Cross Storage Trust. Prior to completion the Group held a 10% interest in the Southern Cross Storage Group which consisted of Southern Cross Storage Operations Pty Ltd and Southern Cross Storage Trust. This resulted in a disposal of the investment in the joint venture.

11. CONTRIBUTED EQUITY

	2018 $'000	2017 $'000
Issued and paid up capital		
Units	604,207	543,476

Number of units on issue	2018 No. of units	2017 No. of units
Opening balance at 1 July	512,913,914	336,422,143
Institutional and retail placement	39,712,882	164,557,412
Distribution reinvestment plan	6,480,246	6,144,051
Scrip issue on investment property acquisition	-	5,790,308
Closing balance at 30 June	559,107,042	512,913,914

Capital raise
During the year, NSR undertook a fully underwritten $50m equity raising by way of a placement to institutional and professional investors. This resulted in the issue of 33,333,334 new stapled securities. NSR

also raised a further $9.5m from a security purchase plan offered to existing unitholders. This resulted in the issue of 6,379,548 new stapled securities.

90% of the value of equity raised ($53.55m) has been apportioned to the NSPT Group based upon the proportionate net asset split of NSR at the most recent financial reporting period prior to the equity raise.

Distribution reinvestment plan
During the year 6,480,246 (2017: 6,144,051) stapled securities were issued to security holders participating in the NSR's Distribution Reinvestment Plan for consideration of $9.6m (2017: $9m). The stapled securities were issued at the volume weighted average market price of NSR's stapled securities over a period of 10 trading days less a 2% discount.

Terms and conditions of contributed equity

Stapled securities
A stapled security represents one unit in NSPT and one share in NSH. Stapled securityholders have the right to receive declared distributions from NSPT and dividends from NSH 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 NSPT or NSH. The stapled securities have no par value.

In the event of the winding up of NSPT and NSH, 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.

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

12. OTHER RESERVES

	2018 $'000	2017 $'000
Foreign currency translation reserve		
Opening balance at 1 July	232	227
Net investment hedge	1,007	(103)
Foreign exchange translation differences	(1,354)	108
Closing balance at 30 June	(115)	232
Cash flow hedge reserve		
Opening balance at 1 July	(45)	(6,448)
Revaluation of derivates	(2,112)	6,427
Taxation impact on revaluation	84	(24)
Closing balance at 30 June	(2,073)	(45)
Other reserves	(2,188)	187

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 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(k). Amounts are reclassified to profit or loss in the period when the associated hedged transaction takes place.

13. 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 Board of Directors of NSH analyses, on behalf of the NSPT 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 have the following derivative financial instruments:

	Notes	2018 $'000	2017 $'000
Interest rate swaps designated as cash flow hedges presented in:			
Current assets	7.3	87	-
Non-current assets	7.3	2,099	3,328
Current liabilities	7.6	(3)	(166)
Non-current liabilities	7.6	(4,380)	(3,259)
Net liability		(2,197)	(97)

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(k). 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.

Fair value measurement
For information about the methods and assumptions used in determining fair values of derivatives refer to note 7.8.

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, available-for-sale investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 30 June 2018 and 30 June 2017. 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 2018 and 30 June 2017.

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 2018 and 30 June 2017 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 2018 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 2018, after taking into account the effect of interest rate swaps, 53% (2017: 55.5%) 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
2018		
Australian dollar dominated debt	+50	(915)
New Zealand dollar dominated debt	+50	(124)
Australian dollar dominated debt	-50	915
New Zealand dollar dominated debt	-50	124
2017		
Australian dollar dominated debt	+50	(982)
New Zealand dollar dominated debt	+50	(212)
Australian dollar dominated debt	-50	982
New Zealand dollar dominated debt	-50	212

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 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
2018	+5%	(110)	(568)
	-5%	121	628
2017	+5%	(7)	(465)
	-5%	8	514

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 receivables related to rental income) and from its financing activities, including deposits with banks and other financial instruments.

Trade receivables
The Group's customer credit risk is managed by renting the majority of properties to the NSH Group entities: National Storage (Operations) Pty Ltd, Southern Cross Storage Operations Pty Ltd and National Storage Limited. Other non-related parties also have rented facilities at some NSPT investment properties. These rental revenues are not significant compared with related party rental revenues and overall credit risk is low.

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 2018 and 30 June 2017 is the carrying amounts as indicated in the statement of financial position.

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. 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 inflows and outflows.
- 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:

	2018 $'000	2017 $'000
Floating rate		
Expiring beyond one year (loans)	115,347	61,844

All 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 note 7.5 and note 14.

Maturity of financial liabilities
The tables below summarises 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 2018						
Non-derivatives						
Trade and other payables	-	4,343	-	-	-	**4,343**
Borrowings	-	5,913	17,547	403,414	289,741	**716,615**
Distribution payable	-	27,396	-	-	-	**27,396**
Total non-derivatives	-	37,652	17,547	403,414	289,741	**748,354**
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**
	-	37,820	18,698	405,189	288,844	**750,551**
At 30 June 2017						
Non-derivatives						
Trade and other payables	-	642	-	-	-	**642**
Borrowings	-	4,329	12,845	355,742	196,932	**569,848**
Distribution payable	-	23,594	-	-	-	**23,594**
Total non-derivatives	-	28,565	12,845	355,742	196,932	**594,084**
Derivatives						
Inflows	-	-	(70)	(1,445)	(2,215)	**(3,730)**
Outflows	-	410	937	2,136	344	**3,827**
Total derivatives	-	410	867	691	(1,871)	**97**
	-	28,975	13,712	356,433	195,061	**594,181**

Changes in liabilities arising from financing activities

	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 swap						
Current financial liabilities	(166)	-	-	163	-	**(3)**
Non-current financial liabilities	(3,259)	-	12	(1,133)	-	**(4,380)**
Distributions payable	23,594	(40,045)	-	-	43,847	**27,396**
Non-current interest-bearing loans and borrowings	480,520	116,652	(2,668)	-	656	**595,160**
Total liabilities from financing activities	500,689	76,607	(2,656)	(970)	44,503	**618,173**

14. 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 unitholders 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 unitholder. 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 in the financial covenants of any interest-bearing loans and borrowings in the year.

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 unitholders, return capital to unitholders or issue new units.

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. Net debt includes borrowings, less cash and short-term deposits.

	Notes	2018 $'000	2017 $'000
Interest bearing loans	7.5	599,098	483,365
Less: cash and short term deposits	7.1	(2,655)	(8,748)
Net debt		596,443	474,617
Total assets		1,438,714	1,166,576
Less cash and short term deposits		(2,655)	(8,748)
		1,436,059	1,157,828
Gearing ratio		42%	41%

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.

Unit distributions	2018 $'000	2017 $'000
NSPT interim distribution of 4.7 cents per unit paid on 26 February 2018 (2017: 4.6 cents per unit)	25,826	23,147
NSPT final distribution of 4.9 cents per unit payable on 29 August 2018 (2017: 4.6 cents per unit)	27,396	23,594
Balance of distributions paid to pre-stapling unit holders	205	-
	53,427	46,741

There are no proposed distributions not recognised as a liability for the year ended 30 June 2018. The Group does not have franking credits as distributions paid are not liable for income tax provided all taxable income is distributed to unitholders

15. 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 $
National Storage Holdings Limited	2018	-	-	53,872,664	-
	2017	-	-	49,201,085	-
National Storage (Operations) Pty Ltd	2018	39,865,311	331,408	-	-
	2017	47,050,482	410,435	-	-
Southern Cross Storage Operations Pty Ltd	2018	13,814,000	-	-	-
	2017	11,370,000	-	-	-
National Storage Financial Services Limited	2018	-	1,173,824	-	-
	2017	-	966,433	109,047	-
National Storage Limited	2018	4,495,137	-	6,943,525	-
	2017	3,697,968	-	9,126,721	-

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.

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 2018 and 30 June 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

16. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2018 and 30 June 2017, the Group has contractual commitments in place for the construction of a self-storage centre in Victoria, Australia (see note 8.2).

The Group also held a commitment with a third party, to supply and install solar panels on a significant number of NSR storage centres for an estimated total cost of $2.7m. As at 30 June 2018, the Group had incurred project costs of $2.3m which have been classified as freehold investment property. The Group is committed to additional expenditure of $0.4m, to be paid on agreed milestones subject to the completion of the project.

There was no other capital expenditure contracted for at the end of the reporting period but not recognised as liabilities (30 June 2017: nil)

Non-cancellable operating leases

The Group had no commitments under non-cancellable operating leases at 30 June 2018 or 30 June 2017.

Contingent liabilities

There are no contingent liabilities for the Group at 30 June 2018 or 30 June 2017.

17. EARNINGS PER UNIT ("EPU")

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

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

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

	2018 cents	2017 cents
Basic and diluted earnings per unit	26.82	19.27
Reconciliation of earnings used in calculating earnings per unit	**$'000**	**$'000**
Net profit attributable to members	144,002	96,266
	No. of units	**No. of units**
Weighted average number of securities for basic and diluted earnings per unit	536,933,616	499,692,478

The weighted average number of units for the year ending 30 June 2017 used to calculate basic and diluted earnings per unit has been restated for the effect of units issued in the current year ending 30 June 2018 under the institutional and retail placement, and distribution reinvestment plan.

18. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

Amounts received or due and receivable by Ernst & Young Australia for:	2018 $	2017 $
An audit or review of the financial report of the entity and any other group entity	56,400	50,000
Other services in relation to the entity and any other group entity		
Tax compliance	28,317	28,060
Assurance related	-	109,482
Other	10,800	34,037
Total auditors' remuneration	95,517	221,579

19. INFORMATION RELATING TO THE PARENT ENTITY

Summary financial information

The individual financial statements for NSPT, the parent entity of the NSPT Group, show the following aggregate amounts:

	NSPT 2018 $'000	NSPT 2017 $'000
Current assets	163,235	178,600
Total assets	1,320,767	1,084,372
Current liabilities	(45,112)	(37,247)
Total liabilities	(590,161)	(475,847)
Net assets	730,606	608,525
Issued capital	604,200	543,470
Cash flow hedge reserve	(1,735)	76
Foreign currency translation reserve	180	(827)
Retained earnings	127,961	65,806
	730,606	608,525
Profit after tax	62,155	34,726
Total comprehensive income	114,778	87,703
Distributions provided for or paid	(53,427)	(46,741)

Guarantees entered into by the parent entity

The Group's parent entity has provided financial guarantees in respect of bank overdrafts and loans amounting to $600.3m (2017: $484.6m), secured by registered mortgages over the freehold investment properties of the Group.

Contingent liabilities of the parent entity

The parent entity of Group did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

20. EVENTS AFTER REPORTING PERIOD

On 24 July 2018, the Group completed the acquisition of two storage centre assets in Beresfield and Thornton, New South Wales for $5.5m.

On 25 July 2018, the Group completed the acquisition of a storage centre asset in Rutherford, New South Wales for $7.3m.

Subsequent to 30 June 2018, The Group has entered into sale and purchase agreements for the acquisition of three storage facilities for a combined purchase price of $42.3m. These are expected to settle by mid-September 2018.

Contemporaneously with the release of this report NSR announced a $175m fully underwritten capital raising.

DIRECTORS' DECLARATION

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

1. In the opinion of the Responsible Entity:

   (a) the financial statements and notes of the Group for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the NSPT Group's financial position as at 30 June 2018 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) with reference to note 2(a) in the financial statements, there are reasonable grounds to believe that the NSPT Group will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors of National Storage Financial Services Limited by the Chief Executive Officer and Chief Financial Officer of the NSR Group in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Responsible Entity,

Laurence Brindle
Chairman
21 August 2018
Brisbane

Andrew Catsoulis
Managing Director
21 August 2018
Brisbane

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Independent Auditor's Report to the Members of National Storage Property Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of National Storage Property Trust (the Trust) and its subsidiaries (collectively the Group), which comprises the consolidated statements of financial position as at 30 June 2018, the consolidated statements of profit or loss, consolidated statement of other comprehensive income, consolidated statements of changes in equity and consolidated statements 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 2018 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.

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Investment property valuation

Why significant	How our audit addressed the key audit matter
Approximately 95% 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 (i), 8.2, and 8.4 of the financial report.	We obtained and evaluated a sample of both the external independent valuations and the internal valuations prepared by the Group. We performed the following procedures: • With the involvement of our real estate valuation specialists, we assessed 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; • Agreed a sample of the source data used in the valuations to supporting tenancy schedules; • Tested the mathematical accuracy of the internal valuation model, including assessing key valuation inputs with reference to those applied by the external valuation experts and current period market transactions and perform sensitivity analysis over key valuations inputs including the capitalisation rates and sustainable occupancy; and • Considered the adequacy of disclosures in relation to the valuation methods and principles disclosed in Note 2 (i) *Summary of significant accounting policies - Investment properties*, Note 8.2 *Investment properties* and Note 8.4 *Non-financial assets fair value measurement*.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 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.

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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.

- 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.

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- 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.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
21 August 2018