NATIONAL STORAGE PROPERTY TRUST (NSPT)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

CONTENTS

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 Group is a Consolidated Group of Trusts which hold 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 ("**the Group**") for the financial year ended 30 June 2019 ("**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

PRINCIPAL ACTIVITES

NSPT and its sub trusts hold investment 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 2019, total revenue increased by 18% to $71.5m (30 June 2018: $60.5m) through increased rental income from investment properties acquired during the current and prior years. Profit after tax decreased by 3% to $139.4m (30 June 2018: $144.0m) impacted by fair value adjustments associated with the carrying value of investment properties reducing by $9.8m to $96.3m.

Capital management

Cash and cash equivalents as at 30 June 2019 were $4.3m (30 June 2018: $2.7m).

During the year NSR successfully completed two capital raises providing $345.4m of which $312.5m of equity was attributed to the Group. These were undertaken by a combination of a rights issue, two institutional placements and a Security Purchase Plan. The purpose of the equity raisings was to execute acquisition opportunities and strengthen the NSR balance sheet.

An interim distribution of 4.5 cents per unit ($30.1m) was paid on 1 March 2019 with a final distribution of 5.1 cents per unit ($34.4m) declared on 24 June 2019 with an estimated payment date of 5 September 2019.

DIRECTORS' REPORT

During the reporting period NSR 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.

For the December 2018 interim distribution 33% of eligible securityholders (by number of securities) elected to receive their distributions as securities totalling approximately $10.0m. The DRP price was set at $1.8180 which resulted in 5,437,677 new securities being issued.

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

Net operating cashflow for the year was $91.5m (30 June 2018: $55.0m).

NSR's finance facilities are on a "Club" arrangement with a selection of major Australian banks and a major Australian superannuation fund. During the year NSR introduced the ANZ Banking Group into the banking group to increase the available banking limits and the diversity of the group. NSR's borrowing capacity is AUD $680m and NZD $197m (AUD $188.4m). As at the reporting date $21m was undrawn and available. Subsequent to the reporting date, $137m of debt was repaid using proceeds from the equity raising completed on 26 June 2019.

NSR maintains interest rate hedges in accordance with NSR's hedging policy which is reviewed on a regular basis. Additional interest rate hedges were entered into during the year to continue the prudent management of NSR's interest rate risks. In conjunction with the equity raising undertaken in June 2019 NSR took advantage of the low interest rate environment and reset its Australian swap book. The cost of the reset was $22.9m with the average swap rate reduced by approximately 1.1%. As at the reporting date interest rate hedges totalling notional amounts of AUD $793.3m were in place with expiry dates ranging from 0.25 years to 7.25 years.

Acquisitions and revaluation of investment properties

NSR considers its ability to acquire and integrate quality assets as a key driver of its growth strategy. During the course of the Reporting Period, the dedicated acquisitions team continued to identify, facilitate and transact on acquisitions that were considered appropriate for the portfolio.

The year ended 30 June 2019 was the most successful year since listing with the execution of NSR's acquisition strategy seeing 35 new centres acquired totalling approximately $400m. The combined process undertaken by both external valuers and the Directors to revalue the 30 June 2018 NSR owned centres as at 30 June 2019 yielded an increase in valuation of $96m, with the weighted average primary capitalisation rate reducing 47 basis points to 6.83%.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Acquisitions

On 26 July 2019, the Group purchased two storage centre investment properties for $42.6m, and reached an agreement to purchase a third asset for $21.4m on completion of construction.

Capital raise

On 25 June 2019, NSR announced a fully underwritten $170m equity raising. On 28 June 2019, National Storage Holdings Limited on behalf of NSR received proceeds for this raising. This has been recognised as a contract for future issue of equity under AASB 132 and has been recognised as contributed equity within the statement of financial position. This resulted in the issue of 99,415,205 new units, subsequent to the year end, on 1 July 2019.

DIRECTORS' REPORT

On 30 July 2019, NSR raised $13.5m from a non-underwritten security purchase plan. This resulted in the issue of 7,917,735 new units in NSPT. 90% of the total value of equity raised will be apportioned to NSPT.

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 15 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 27 August 2019 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.

Laurence Brindle
Director
National Storage Financial Services Limited
Brisbane

Andrew Catsoulis
Director
National Storage Financial Services Limited
Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

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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 and the entities it controlled

As lead auditor for the audit of the financial report of National Storage Property Trust for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ric Roach
Partner
27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000 Restated
Revenue from rental income		70,854	60,096
Revenue from contracts with customers	5	329	15
Interest income		270	426
Total revenue		**71,453**	**60,537**
Management fees - operational		(2,220)	(1,526)
Other operational expenses		(932)	(404)
Finance costs		(25,719)	(20,505)
Share of profit / (loss) of joint venture	10	1,413	(28)
Fair value adjustments	8.2	96,272	106,109
Profit before income tax		**140,267**	**144,183**
Income tax expense	6	(833)	(181)
Profit after tax		**139,434**	**144,002**
Profit for the year attributable to:			
Unitholders of National Storage Property Trust		**139,434**	**144,002**
Basic and diluted earnings per unit (cents)	17	21.30	26.49

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 2019

	2019 $'000	2018 $'000
Profit after tax	**139,434**	**144,002**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	873	(347)
Net loss on cash flow hedges	(21,808)	(2,028)
Other comprehensive (loss) / income for the year, net of tax	**(20,935)**	**(2,375)**
Total comprehensive income for the year	**118,499**	**141,627**
Total comprehensive income for the year attributable to:		
Unitholders of National Storage Property Trust	**118,499**	**141,627**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7.1	4,307	2,655
Trade and other receivables	7.2	193,636	622
Assets held for sale	8.1	1,107	5,713
Other current assets	7.3	17	100
Total current assets		**199,067**	**9,090**
Non-current assets			
Trade and other receivables	7.2	-	60,816
Investment properties	8.2	1,888,222	1,363,461
Investment in joint venture	10	1,080	3,248
Other non-current assets	7.3	569	2,099
Total non-current assets		**1,889,871**	**1,429,624**
Total assets		**2,088,938**	**1,438,714**
LIABILITIES			
Current liabilities			
Trade and other payables	7.4	10,341	4,343
Finance lease liability	7.7	741	-
Deferred revenue	8.3	48	168
Income tax payable		136	106
Distribution payable	14	34,370	27,396
Other liabilities	7.6	713	3
Total current liabilities		**46,349**	**32,016**
Non-current liabilities			
Borrowings	7.5	842,677	595,160
Finance lease liability	7.7	16,299	-
Deferred tax liability	6	1,097	606
Other liabilities	7.6	1,375	4,380
Total non-current liabilities		**861,448**	**600,146**
Total liabilities		**907,797**	**632,162**
Net assets		**1,181,141**	**806,552**
EQUITY			
Contributed equity	11	924,749	604,207
Foreign currency translation reserve	12	758	(115)
Cash flow hedge reserve	12	(23,881)	(2,073)
Retained earnings		279,515	204,533
Total equity		**1,181,141**	**806,552**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Attributable to 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 2018		**604,207**	**204,533**	**(115)**	**(2,073)**	**806,552**
Profit for the year		-	139,434	-	-	139,434
Other comprehensive income		-	-	873	(21,808)	(20,935)
Total comprehensive income		**-**	**139,434**	**873**	**(21,808)**	**118,499**
Issue of units via institutional and retail placements		158,927	-	-	-	158,927
Issue of units via distribution reinvestment plans		14,628	-	-	-	14,628
Contract for future issue of equity via institutional placement		153,549	-	-	-	153,549
Costs associated with issue of units		(6,562)	-	-	-	(6,562)
Distributions provided for or paid	14	-	(64,452)	-	-	(64,452)
		320,542	**(64,452)**	**-**	**-**	**256,090**
Balance at 30 June 2019		**924,749**	**279,515**	**758**	**(23,881)**	**1,181,141**
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 via institutional and retail placement		53,553	-	-	-	53,553
Issue of units via distribution reinvestment plans		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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Operating activities			
Receipts from customers		94,345	57,832
Payments to suppliers and employees		(2,869)	(2,858)
Interest received		32	52
Income tax paid		(52)	(21)
Net cash flows from operating activities	7.1	**91,456**	**55,005**
Investing activities			
Purchase of investment properties		(407,972)	(167,930)
Proceeds on sale of investment property		26,000	4,400
Distribution received from joint venture	10	4,854	-
Improvements to investment properties		(3,729)	
Development of investment property under construction		(13,026)	(3,661)
Investments in joint venture	10	(1,273)	(2,363)
Net cash flows used in investing activities		**(395,146)**	**(169,554)**
Financing activities			
Proceeds from issue of units	11	158,927	53,553
Transaction costs on issue of units		(6,737)	(1,476)
Distributions paid to unitholders		(41,301)	(40,045)
Proceeds from borrowings		398,876	195,222
Repayment of borrowings		(155,100)	(76,820)
Payments associated with resetting interest rate hedges		(22,913)	-
Interest and other finance costs paid		(26,413)	(21,688)
Net cash flows from financing activities		**305,339**	**108,746**
Net increase / (decrease) in cash and cash equivalents		1,649	(5,803)
Net foreign exchange difference		3	(290)
Cash and cash equivalents at 1 July		2,655	8,748
Cash and cash equivalents at 30 June	7.1	**4,307**	**2,655**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. CORPORATE INFORMATION

The Group is a Consolidated Group of Trusts which hold 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 financial report of Group for the year ended 30 June 2019 was approved on 27 August 2019, in accordance with a resolution of the Directors the Responsible Entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("**AASB**") and the Corporations Act 2001. The financial statements have been prepared on a historical cost basis, except for selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. 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 2018 financial statements except for the accounting policies impacted by new or amended accounting standards detailed in this note.

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

(b) Compliance with IFRS

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

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

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

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

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

AASB 15 *Revenue from Contracts with Customers*

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

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

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

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

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

Design and development fees

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

AASB 9 *Financial Instruments*

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

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

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

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

Other standards, amendments and interpretations

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

The Group has not early adopted any other standards.

Accounting standards and interpretations issued but not yet effective

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

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 16	Leases	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months with the exception of low value assets. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The initial measurement includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from AASB 117. The Group is conducting an assessment of the impact of AASB 16 *Leases*, in relation to the Group's current commitments under	1 January 2019	1 July 2019

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
		operating leases. Due to the relative size of these commitments to the Group's total assets, adoption of AASB 16 is not expected to have a material impact on the Group's financial statements. The Group's leasehold investment properties will continue to be accounted for under AASB140 and will be unaffected by the application of AASB 16.		
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 Accounting Standards – Long-term Interests in Associates and Joint Ventures	This Standard amends AASB 128 *Investments in Associates and Joint Ventures* to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019	1 July 2019
AASB 2019-1	Conceptual Framework for Financial Reporting and relevant amending standards	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts including: • The objective of financial reporting • Qualitative characteristics of useful financial information • Financial statements and the reporting	1 January 2020	1 July 2020

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
		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.		
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 2019 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 associate investments that are accounted for using the equity method.

Joint arrangements

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

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 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 joint ventures.

The financial statements of 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 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 venture' in the consolidated statement of profit or loss. Upon loss of significant influence over an associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) Revenue recognition

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

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

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

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

(e) Taxes

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

NSPT is a ‘flow through’ entity for Australian income tax purposes and has elected into the Attribution Managed Investment Trust (“**AMIT**”) rules from 1 July 2017, such that the determined tax components of NSPT will be taxable in the hands of unitholders on an attribution basis.

NSPT’s subsidiary National Storage New Zealand Property Trust (“**NSNZPT**”) is an Australian registered trust which owns investment property in New Zealand. For New Zealand tax purposes NSNZPT is classed as a unit trust and is subject to New Zealand income tax.

Current income tax

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

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

*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 entities
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

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

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

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

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

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

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

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

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

(h) 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) Financial assets

Initial recognition and measurement

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

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

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

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

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

Subsequent measurement

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

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

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

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

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

Derecognition

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

Impairment

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

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

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

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

The Group considers a financial asset to be at risk of default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(j) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

Derecognition

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

(k) Derivative financial instruments and hedge accounting

Initial recognition and measurement

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

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

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

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

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

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 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.

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

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

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

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

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

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

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

(l) Assets held for sale

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

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

(m) Investment properties

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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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

Acquisition of storage centre assets
For the acquisition of storage centres, the Group's policy is to review the nature of the transaction and assess if the transaction should be accounted for under AASB 3 *Business Combinations* or AASB 140 *Investment Properties* as a purchase of investment property.

The key assessment to be made is whether the transaction constitutes a purchase of a 'business', if so it will be accounted for under AASB 3.

If it is determined that the transaction does not meet this definition, the transaction is accounted for as a purchase of an asset under AASB 140, as an acquisition of a storage centre(s) held for rental return and capital appreciation.

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

For the years ended 30 June 2019 and 30 June 2018, the Group has assessed that all of its storage centre acquisitions do not meet the definitions set out in AASB 3 and are therefore accounted for as purchases of investment property per AASB 140 as detailed in note 8.2.

Classification of joint arrangements
The Group holds a 25% interest in the Bundall Storage Trust.

Under this arrangement, investments are classified as joint ventures as all parties are subject to a Securityholders Agreement that has been contractually structured such that the parties to the agreement have equal representation on the advisory board responsible for the overall direction and supervision of the trust, and whereby, decisions about the relevant activities require the unanimous consent of the parties sharing control.

Estimates and assumptions

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

Assumptions and estimates are based on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about the future developments may change due to market changes or circumstances arising beyond the 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 Directors 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.

4. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal management information used by the Managing Director of NSR, the Group's chief decision maker.

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.

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

Geographic information

	2019 $'000	2018 $'000
Revenue from external customers		
Australia	64,039	54,955
New Zealand	7,144	5,156
Total	71,183	60,111

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

Geographic information

	2019 $'000	2018 $'000
Non-current operating assets		
Australia	1,657,080	1,277,361
New Zealand	231,142	86,100
Total	1,888,222	1,363,461

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

95% of revenue is received from the NSH Group, a related entity.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 $'000	2018 $'000 Restated
Design and development fees	329	15

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 2019 and 30 June 2018 are:

	Notes	2019 $'000	2018 $'000
Consolidated statement of profit or loss			
Current tax		86	(204)
Deferred tax		747	385
Total income tax expense		833	181
Consolidated statement of other comprehensive income			
Deferred tax relating to items recognised in other comprehensive income during the year			
Net loss on revaluation of cash flow hedges	12	(290)	(84)
Reconciliation of tax expense and accounting profit multiplied by Australia's domestic tax rate for 2019 and 2018:			
Profit before tax		140,267	144,183
Deduct profit before tax from Trusts owning Australian property		(136,002)	(141,015)
Accounting profit before income tax		4,265	3,168
Tax at the Australian tax rate of 30% (2018 – 30%)		1,279	950
Non-assessable income		(406)	(98)
Adjustments in respect of previous years		(1)	(609)
Other non-deductible expenses		37	-
Effect of lower tax rates in New Zealand		(76)	(62)
Income tax expense		833	181

	2019 $'000	2018 $'000
Deferred tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(279)	(79)
Increase in deferred tax liabilities	735	363
Exchange variations	1	17
Movement in deferred tax asset recognised in other comprehensive income	290	84
Total deferred tax expense	747	385
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Revaluation of cash flow hedges	425	130
Other	4	20
Total deferred tax assets	429	150
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Revaluations of investment properties	(1,514)	(756)
Unrealised foreign exchange losses	(12)	-
Total deferred tax liabilities	(1,526)	(756)
Net deferred tax liability	(1,097)	(606)
Reconciliation to statement of financial position		
Deferred tax liability	(1,097)	(606)

The Group offsets tax assets and liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax asset and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Group has no tax losses that are available for offsetting against future taxable profits (2018: 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	2019 $'000	2018 $'000
Financial assets			
At amortised cost			
Cash and cash equivalents	7.1	4,307	2,655
Trade and other receivables	7.2	193,636	61,438
		197,943	64,093
Derivatives used for hedging – at fair value through other comprehensive income	7.3	569	2,186
Total financial assets		198,512	66,279

	Notes	2019 $'000	2018 $'000
Financial liabilities			
At amortised cost			
Trade and other payables	7.4	10,341	4,343
Borrowings	7.5	846,588	599,098
		856,929	603,441
Derivatives used for hedging – at fair value through other comprehensive income	7.6	2,088	4,383
Total financial liabilities		859,017	607,824

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

	2019 $'000	2018 $'000
Cash at bank	4,307	2,655

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

	2019 $'000	2018 $'000
Profit for the year	139,434	144,002
Income tax expense	833	181
Profit before tax	140,267	144,183
Adjustments to reconcile profit before tax to net cash flows:		
Fair value adjustment to investment properties	(96,272)	(106,109)
Share of (profit) / loss of joint venture	(1,413)	28
Finance income	(269)	(52)
Finance costs	25,719	20,505
Changes in operating assets and liabilities:		
(Decrease) / increase in receivables	21,995	(3,608)
Increase in other assets	(4)	(6)
Increase in payables	1,574	3
(Decrease) / increase in deferred revenue	(121)	30
Cash flows from operating activities	**91,476**	**54,974**
Interest received	32	52
Income tax paid	(52)	(21)
Net cash flows from operating activities	**91,456**	**55,005**

7.2. Trade and other receivables

	Notes	2019 $'000	2018 $'000
Current			
Other receivables		757	622
Receivables from related parties	15	192,879	-
		193,636	622
Non-current			
Receivables from related parties	15	-	60,816
Total current and non-current		193,636	61,438

See note 15 for terms and conditions relating to related party receivables.

At 30 June 2019, the Group has not recognised an allowance for expected credit losses relating to its receivables as there is no historical credit loss experience and no forward-looking factors which impact recoverability.

7.3. Other assets

	2019 $'000	2018 $'000
Current		
Prepayments	17	13
Financial assets (derivatives)	-	87
	17	100
Non-current		
Financial assets (derivatives)	569	2,099
Total current and non-current	586	2,199

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

	2019 $'000	2018 $'000
Current		
Accrued expenses	3,504	905
GST and employment taxes payable	916	91
Other payables	5,620	3,347
Related party payables	301	-
Total	10,341	4,343

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

	2019 $'000	2018 $'000
Non-current		
Bank finance facility	846,588	599,098
Non-amortised borrowing costs	(3,911)	(3,938)
Total borrowings	842,677	595,160

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

	2019 $'000	2018 $'000
Bank finance facilities (AUD)		
Drawn amount	662,550	519,050
Facility limit	680,000	605,000
Bank finance facilities (NZD)		
Drawn amount	192,250	87,500
Facility limit	196,750	121,000
AUD equivalent of NZD facilities		
Drawn amount	184,038	80,048
Facility limit	188,346	110,696

The major terms of these agreements are as follows:

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

During the year ended 30 June 2019, the Group converted an existing AUD facility of $25m into an NZD facility of $25.75m, refinanced part of the existing debt facilities, and increased its club banking facilities by AUD $100m and NZD $50m (year ended 30 June 2018: facilities increased by AUD $150m and NZD $25m).

The Group have complied with the financial covenants of their borrowing facilities during the 2019 and 2018 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 has the following future interest rate hedges in place as at the end of the reporting period:

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

Future interest rate hedges in place at the end of the reporting period have maturity dates ranging from 23 September 2019 to 23 September 2026 (2018: 24 September 2018 to 23 September 2026). On 24 June 2019, the Group reset the interest rates associated with AUD denominated interest rate hedges. This resulted in a cash outflow of $22.9m which reduced the Group's financial liability presented in note 7.6.

The cumulative change in fair value of these hedging instruments is carried in the cash flow hedge reserve in equity. This balance will be recycled from the hedge reserve to finance costs in the statement of profit and loss in future reporting periods corresponding to when the underlying hedged item impacts profit or loss. For the year ended 30 June 2019, $0.1m has been recognised in finance costs relating to this item.

Hedge of net investments in foreign operations

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

7.6. Other liabilities

	Notes	2019 $'000	2018 $'000
Current financial liabilities			
Interest rate swaps	7.8	474	-
Forward currency exchange contract	7.8	239	3
		713	3
Non-current financial liabilities			
Financial liabilities (derivatives)	7.8	1,375	4,380
Total current and non-current		2,088	4,383

For details on the classification of derivatives see note 7.8.

7.7. Finance leases

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

During the year ended 30 June 2019, the Group recognised an investment property asset and corresponding finance lease liability of $17m relating to long term lease obligations associated with investment properties located on airport and port authority land.

Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments are as follows:

	2019	
	Minimum payments $'000	Present value of payments $'000
Consolidated Group		
Within one year	741	37
After one year but not more than five years	3,168	372
More than five years	27,377	16,631
Minimum lease payments	31,286	17,040
Future finance charges	(14,246)	-
Total	17,040	17,040

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 2019					
Derivatives used for hedging – forward currency exchange contract					
Current financial liabilities	7.6	-	(474)	-	(474)
Derivatives used for hedging - interest rate swaps					
Non-current financial assets	7.3	-	569	-	569
Current financial liabilities	7.6	-	(239)	-	(239)
Non-current financial liabilities	7.6	-	(1,375)	-	(1,375)
		-	(1,045)	-	(1,045)
At 30 June 2018					
Derivatives used for hedging - Interest rate swaps					
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)

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

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	2019 $'000	2018 $'000
Current assets			
Opening balance at 1 July		5,713	5,713
Item reclassified from investment property	8.2	1,107	4,400
Item reclassified to investment property	8.2	(5,713)	-
Disposals during the year		-	(4,400)
Total assets held for sale		**1,107**	**5,713**

On 28 June 2019, the Group entered into an agreement for the sale of commercial investment property in Dunedin, New Zealand for NZD $1.3m less cost of sale of NZD $0.1m (AUD $1.2m less cost of sale of $0.1m).

This has resulted in an unrealised gain of NZD $1.2m (AUD $1.1m) on the asset's carrying value. This has been included within fair value adjustments in the statement of profit or loss.

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

8.2. Investment properties

	Notes	2019 $'000	2018 $'000
Investment properties at valuation			
Investment properties	8.4	1,861,023	1,356,251
Investment property at cost			
Investment property under construction		27,199	7,210
Total investment properties		1,888,222	1,363,461
Investment properties at valuation			
Opening balance at 1 July		1,356,251	1,087,048
Property acquisitions		383,555	167,930
Property disposals		(26,000)	-
Improvements to investment properties		2,717	-
Items reclassified from investment property under construction		26,972	2,301
Items reclassified to assets held for sale	8.1	(1,107)	(4,400)
Items reclassified from assets held for sale	8.1	5,713	-
Reassessment of lease terms		12,648	-
Net gain from fair value adjustments		96,272	106,109
Effect of movement in foreign exchange		4,002	(2,737)
Closing balance at 30 June		1,861,023	1,356,251
Investment property under construction at cost			
Opening balance at 1 July		7,210	2,063
Property acquisitions		33,122	-
Development costs		13,839	7,448
Items reclassified to investment properties		(26,972)	(2,301)
Closing balance at 30 June		27,199	7,210

During the year ended 30 June 2019, the Group recognised an investment property asset and corresponding finance lease liability of $17m relating to long term lease obligations associated with investment properties located on airport and port authority land.

8.3. Deferred revenue

	2019 $'000	2018 $'000
Deferred revenue from rental income	48	168

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

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 2019					
Assets held for sale	8.1	-	1,107	-	1,107
Investment properties	8.2	-	-	1,861,023	1,861,023
		-	1,107	1,861,023	1,862,130
At 30 June 2018					
Assets held for sale	8.1	-	5,713	-	5,713
Investment properties	8.2	-	-	1,356,251	1,356,251
		-	5,713	1,356,251	1,361,964

Recognised fair value measurements

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. During the year ended 30 June 2019 the Group transferred $1.1m from level 3 to level 2 following the reclassification of assets from investment properties to assets held for sale, and $5.7m from level 2 to level 3 following the reclassification of assets from assets held for sale to investment properties, as detailed in note 8.2.

In the prior year ended 30 June 2018 the Group transferred $4.4m from level 3 to level 2 following the reclassification of an asset from 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 2019 or 30 June 2018, the Group has valued assets classified as held for sale at the contractually agreed sales price less estimated cost of sale or other observable evidence of market value.

Fair value measurements using significant unobservable inputs (level 3)

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

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

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

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

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

	External valuation %	Internal valuation %
Year ended 30 June 2019	38%	62%
Year ended 30 June 2018	27%	73%

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

Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs	Range at 30 June 2019	Range at 30 June 2018
Investment properties	Capitalisation method	Primary capitalisation rate	6.0% to 8.2%	6.5% to 8.3%
		Secondary capitalisation rate	6.5% to 9.3%	7.0% to 9.5%
		Sustainable occupancy	74% to 98%	72% to 95%
		Stabilised average EBITDA	$912,261	$898,767

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

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

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

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

At 30 June 2019:

	Increase/ (decrease) in input	Increase/ (decrease) in fair value $'000
Primary capitalisation rate	1% / (1%)	(188,200) / 254,780
Secondary capitalisation rate	2% / (2%)	(90,560) / 156,620
Sustainable occupancy	5% / (5%)	114,620 / (81,010)
Stabilised average EBITDA	5% / (5%)	83,770 / (74,650)

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)

9. INFORMATION RELATING TO SUBSIDIARIES

The holding entity

The ultimate holding entity of the Group is National Storage Property Trust. The units in NSPT are stapled to the shares of NSH to form National Storage REIT. NSR is quoted on the ASX.

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

Name of controlled entity	Place of registration	Equity interest 2019	2018
National Storage Investment Trust	Australia	100%	100%
National Storage Victorian Property Trust	Australia	100%	100%
National Storage New Zealand Property Trust *	Australia	100%	100%
National Storage Southern Trust	Australia	100%	100%

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

10. INTEREST IN JOINT VENTURE

	2019 $'000	2018 $'000
Opening balance at 1 July	3,248	913
Capital contribution / acquisition of units in joint venture	1,273	2,363
Share of profit / (loss) from joint venture	1,413	(28)
Distributions received from joint venture	(4,854)	-
Closing balance at 30 June	1,080	3,248

Investment in joint venture

The Group holds a 25% interest in the Bundall Storage Trust (2018: 25%). 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.

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

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

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

As at 30 June 2019 the Bundall Storage Trust has one storage centre investment property asset under construction. The Bundall Storage Trust is not listed on any public exchange and had no capital commitments or any contingent liabilities at 30 June 2019.

11. CONTRIBUTED EQUITY

	2019 $'000	2018 $'000
Issued and paid up capital	771,200	604,207
Contract for future issue of equity	153,549	-
Total contributed equity	924,749	604,207

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

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

On 25 June 2019, NSR announced a fully underwritten $170m equity raising. On 28 June 2019, National Storage Holdings Limited on behalf of NSR received proceeds for this raising. This has been recognised as a contract for future issue of equity under AASB 132 and has been recognised as contributed equity within the statement of financial position. This resulted in the issue of 99,415,205 new units on 1 July 2019. These units are not reflected in the units on issue above as they were issued subsequent to the year end.

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

90% of the total value of equity raised ($320.5m) has been apportioned to the Group based upon the proportionate net asset split of NSR at the most recent financial reporting period prior to each equity raise.

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.

There is no current on or off market buy-back of stapled securities.

12. OTHER RESERVES

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

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

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

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 NSH Board of Directors analyses, on behalf of the Group, interest rate exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

Derivatives

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

	Notes	2019 $'000	2018 $'000
Forward currency exchange contract designated as cash flow hedges presented in:			
Current liabilities	7.6	(474)	-
Interest rate swaps designated as cash flow hedges presented in:			
Current assets	7.3	-	87
Non-current assets	7.3	569	2,099
Current liabilities	7.6	(239)	(3)
Non-current liabilities	7.6	(1,375)	(4,380)
Net liability		(1,045)	(2,197)

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

The Group's accounting policy for cash flow hedges is set out in note 2(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. The ineffectiveness recognised in the statement of profit or loss was immaterial.

Fair value measurement
For information about the methods and assumptions used in determining fair values of derivatives refer to note 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 2019 and 30 June 2018. The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant on the basis of hedge designations in place at 30 June 2019 and 30 June 2018.

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

The following assumptions have been made in calculating sensitivity analysis:

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

Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2019, after taking into account the effect of interest rate swaps, 56% (2018: 54%) of the Group's borrowings are at a fixed rate of interest.

Interest rate sensitivity

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

	Increase/ decrease in basis points	Effect on profit before tax $'000
2019		
Australian dollar dominated debt	+50	(712)
New Zealand dollar dominated debt	+50	(254)
Australian dollar dominated debt	-50	712
New Zealand dollar dominated debt	-50	254
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

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
2019	+5%	(146)	(2,404)
	-5%	162	2,657
2018	+5%	(110)	(568)
	-5%	121	628

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. 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 2019 and 30 June 2018 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 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:

	2019 $'000	2018 $'000
Floating rate		
Expiring beyond one year (loans)	20,508	115,347

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 notes 7.5 and 14.

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2019						
Non-derivatives						
Trade and other payables	-	10,244	97	-	-	**10,341**
Borrowings	-	6,263	17,501	573,543	353,970	**951,277**
Distribution payable	-	34,370	-	-	-	**34,370**
Total non-derivatives	-	50,8,77	17,598	573,543	353,970	**995,988**
Derivatives						
Inflows	-	(1,365)	(3,459)	(14,600)	(3,412)	**(22,836)**
Outflows	-	1,645	5,020	16,116	2,643	**25,424**
Total derivatives	-	280	1,561	1,516	(769)	**2,588**
	-	51,157	19,159	575,059	353,201	**998,576**
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**

Changes in liabilities arising from financing activities

	1 July 2018 $'000	Cash flows $'000	Foreign exchange movement $'000	Changes in fair value $'000	Other $'000	30 June 2019 $'000
Derivative used for hedging: interest rate swaps						
Current financial liabilities	-	-	-	474	-	**474**
interest rate swaps						
Current financial liabilities	3	-	-	236	-	**239**
Non-current financial liabilities	4,380	-	20	(3,025)	-	**1,375**
Distributions payable	27,396	(41,301)	-	-	48,275	**34,370**
Non-current interest-bearing loans and borrowings	595,160	242,842	3,714	-	961	**842,677**
Finance lease liabilities						
Current liabilities	-	-	-	-	741	**741**
Non-current liabilities	-	-	-	-	16,299	**16,299**
Total liabilities from financing activities	626,939	201,541	3,734	(2,315)	66,276	**896,175**

	1 July 2017 $'000	Cash flows $'000	Foreign exchange movement $'000	Changes in fair value $'000	Other $'000	30 June 2018 $'000
Derivative used for hedging: interest rate swaps						
Current financial liabilities	166	-	-	(163)	-	**3**
Non-current financial liabilities	3,259	-	(12)	1,133	-	**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	507,539	76,607	(2,680)	970	44,503	**626,939**

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 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	2019 $'000	2018 $'000
Interest bearing loans	7.5	846,588	599,098
Less: cash and short term deposits	7.1	(4,307)	(2,655)
Net debt		842,281	596,443
Total assets		2,088,938	1,438,714
Less cash and short term deposits		(4,307)	(2,655)
Less finance lease liability		(17,040)	-
		2,067,591	1,436,059
Gearing ratio		41%	42%

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.

Distributions

Distributions have been made and declared as noted below.

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

There are no proposed distributions not recognised as a liability for the year ended 30 June 2019.

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	2019	-	-	186,285,284	-
	2018	-	-	53,872,664	-
National Storage (Operations) Pty Ltd	2019	47,586,291	628,840	24,053	-
	2018	39,865,311	331,408	-	-
Southern Cross Storage Operations Pty Ltd	2019	14,129,000	-	-	-
	2018	13,814,000	-	-	-
National Storage Financial Services Limited	2019	-	1,470,758	-	301,073
	2018	-	1,173,824	-	-
National Storage Limited	2019	5,880,049	-	5,812,384	-
	2018	4,495,137	-	6,943,525	-
Bundall Storage Trust	2019	-	-	757,654	-
	2018	-	-	-	-

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 2019 and 30 June 2018, 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 2019, the Group has contractual commitments in place for the construction of a self-storage centre in Queensland, Australia (see note 8.2).

The Group also held a commitment with a third party to supply and install solar panels and energy efficient light-emitting diode ("**LED**") lighting on a significant number of storage centres for an estimated total cost of $8.8m. As at 30 June 2019, the Group had incurred costs of $3.9m related to this project which have been classified as freehold investment property under construction (see note 8.2). The Group is committed to additional expenditure of $4.9m, 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.

Non-cancellable operating leases

The Group had no commitments under non-cancellable operating leases at 30 June 2019 and 30 June 2018.

Contingent liabilities

There are no contingent liabilities for the Group at 30 June 2019 and 30 June 2018.

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.

	2019	2018 Restated
Weighted average number of units on issue during the year	650,319,184	536,933,616
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	4,301,624	6,601,060
Weighted average number of units used to calculate basic and diluted earnings per stapled unit	654,620,808	543,534,676
Reconciliation of earnings used in calculating earnings per unit		
Net profit attributable to members ($'000)	139,434	144,002
Basic and diluted earnings per unit (cents)	21.30	26.49

As detailed in notes 11 and 20, on 1 July 2019 the Group issued 99,415,205 of new units relating to a $170m institutional equity raise and on 30 July 2019 issued 7,917,735 of new units relating to $13.5m raised from a security purchase plan. The Group received proceeds for the institutional raising on 28 June 2019 which has been recognised as a contract for future issue of equity. As these units were not on issue at 30 June 2019, the weighted average number of securities during the year shown above.

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

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

18. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

Amounts received or due and receivable by Ernst & Young Australia for:	2019 $	2018 $
An audit or review of the financial report of the entity and any other group entity	56,400	56,400
Other services in relation to the entity and any other group entity		
Tax compliance	19,523	28,317
Other	-	10,800
Total auditors' remuneration	75,923	95,517

19. INFORMATION RELATING TO THE PARENT ENTITY

Summary financial information

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

	NSPT 2019 $'000	NSPT 2018 $'000
Current assets	292,175	163,235
Total assets	1,856,567	1,320,767
Current liabilities	(58,085)	(45,112)
Total liabilities	(779,790)	(590,161)
Net assets	1,076,777	730,606
Issued capital	924,745	604,200
Cash flow hedge reserve	(22,821)	(1,735)
Foreign currency translation reserve	(1,411)	180
Retained earnings	176,264	127,961
	1,076,777	730,606
Profit after tax	112,755	115,582
Total comprehensive income	90,078	114,778
Distributions provided for or paid	(64,452)	(53,427)

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 $843.9m (2018: $600.3m), secured by registered mortgages over the 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 2019 or 30 June 2018.

20. EVENTS AFTER REPORTING PERIOD

Acquisitions

On 26 July 2019, the Group purchased two storage centre investment properties for $42.6m, and reached an agreement to purchase a third asset for $21.4m on completion of construction.

Capital raise

On 1 July 2019, the Group issued 99,415,205 new units as a result of NSR's $170m equity raising announced on 25 June 2019. NSR received proceeds for this raising on 28 June 2019 (see note 11).

On 30 July 2019, NSR raised $13.5m from a non-underwritten security purchase plan. This resulted in the issue of 7,917,735 new units in NSPT. 90% of the total value of equity raised will be apportioned to NSPT.

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 2019 are in accordance with the *Corporations Act 2001*, including:

        (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
        (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;

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

    (c) there are reasonable grounds to believe that the 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 2019.

On behalf of the Responsible Entity,

Laurence Brindle	Andrew Catsoulis
Chairman	Managing Director
27 August 2019	27 August 2019
Brisbane	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 statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

Investment property valuation

Why significant	How our audit addressed the key audit matter
Approximately 90% 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 (m), 8.2, and 8.4 of the financial report.	Our audit procedures included the following: • With the involvement of our real estate valuation specialists, assessing the suitability of the valuation methodologies, the competence, qualifications and objectivity of both the Group's internal valuers and external valuation experts, and the assumptions used in the valuations. These assumptions and inputs included capitalisation rates, occupancy rates including forecast occupancy levels, and stabilised average EBITDA; • Agreed a sample of the source data used in the valuations to supporting tenancy schedules and accounting sub-ledgers; • 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 where relevant we assessed the reasonableness of comparable transactions utilised in the valuation process; • Where relevant we evaluated the movement in the capitalisation rates, occupancy rates, and stabilised average EBITDA across the portfolio based on our knowledge of the property portfolio, published industry reports and comparable external valuations; and • Considered the adequacy of disclosures in relation to the valuation methods and principles disclosed in Note 2 (m) *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 2019 Annual Report, but does not include the financial report and our auditor's report thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
27 August 2019