NATIONAL STORAGE PROPERTY TRUST (NSPT)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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 16, 1 Eagle Street
Brisbane QLD 4000

Directors – the Responsible Entity
Laurence Brindle (Retired 05 April 2022)
Andrew Catsoulis
Anthony Keane
Howard Brenchley
Steven Leigh
Claire Fidler
Scott Smith (Appointed 1 July 2022)
Inmaculada Beaumont (Appointed 1 July 2022)

Company Secretary – the Responsible Entity
Claire Fidler

Registered office
Level 16, 1 Eagle Street
Brisbane QLD 4000

Principal place of business
Level 16, 1 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

[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 2022 ("**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 (Retired 5 April 2022)
Andrew Catsoulis	Director
Anthony Keane	Director
Howard Brenchley	Director
Steven Leigh	Director
Claire Fidler	Director
Scott Smith	Director (Appointed 1 July 2022)
Inmaculada Beaumont	Director (Appointed 1 July 2022)

PRINCIPAL ACTIVITIES

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 2022, total revenue increased by 9% to $109.5m (30 June 2021: $100.1m) through increased rental income from investment properties, including investment properties acquired in the current and prior years. Profit after tax increased by 94% to $593.4m (30 June 2021: $306.0m) including an increase in fair value gains on investment properties by $279.6m to $523.1m (30 June 2021: $243.5m).

Capital management

Cash and cash equivalents as at 30 June 2022 were $53.7m (30 June 2021: $22.4m). Net operating cashflow for the year increased by $7.5m to $102m (30 June 2021: $94.6m).

An interim distribution of 4.6 cents per stapled security ($54.7m) was paid on 1 March 2022 with an estimated final distribution of 5.4 cents per stapled security ($64.6m) declared on 22 June 2022 with a payment date of 2 September 2022.

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

For the December 2021 interim distribution 29.5% of eligible securityholders (by number of securities) elected to receive their distributions as securities. This raised equity of $16.1m of which $14.9m was attributed to the Group.

The June 2022 final distribution has seen approximately 14% of eligible securityholders (by number of securities) elect to receive their distributions as securities totalling $9.2 million. The DRP price was set at $2.4219 which resulted in approximately 3,800,000 new securities being issued of which $10.6m will be attributable to the Group.

The Group is a party to NSR's finance facilities. During the year ended 30 June 2022, NSR completed a refinance of its debt facilities. This resulted in the transition from a secured "club" arrangement to an unsecured lending platform under a revised Common Terms Deed. On conclusion of this process the NSR repaid existing facilities and entered into a combination of revolver facilities and term loans with major Australian and international banks. This has extended the tenor of NSR's borrowings and also expanded NSR's lender pool. NSR continues to hold an institutional term loan with a major Australian superannuation fund, and an undrawn financing facility with JP Morgan.

As at Reporting Date NSR's borrowing facilities are AUD $1,080 million and NZD $225 million. As at the Reporting Date AUD equivalent of $308 million was undrawn and available. NSR's weighted average debt tenor as at the Reporting Date has increased to 3.3 years (30 June 2021: 2.8 years). NSR continues to monitor its debt structure with the aim of increasing diversity of funding sources and extending NSR's debt tenor beyond 4 years. NSR's gearing level as at 30 June 2022 was 23% against a target gearing range of 25% - 40%, demonstrating a conservative position in the current debt environment and providing flexibility and the ability to act expeditiously on acquisition and development opportunities as they arise.

NSR maintains interest rate hedges in accordance with NSR's hedging policy. This hedging policy is reviewed on a regular basis. As at the Reporting Date interest rate hedges totalling $360 million were in place with expiry dates ranging from 0.25 years to 4.25 years.

Acquisitions and revaluation of investment properties

NSR considers its ability to acquire and integrate quality self-storage assets to be one of the key drivers of its growth strategy and success to date. NSR's dedicated in-house acquisitions team has continued to lead the market in identifying, facilitating and transacting on acquisitions that are considered to be appropriate for inclusion in the NSR portfolio. NSR critically assesses each potential acquisition against criteria such as:

- location and surrounding demographics of local catchment area;
- competition and potential for future competition within the primary (3km) and secondary (5km) competitive radial areas;
- exposure to passing traffic – typically a minimum of 30,000 cars per day targeted;
- build quality and opportunities for value adding such as expansion potential, surplus land, occupancy runway or potential for rate per square metre improvement;
- proximity to major drivers of storage demand such as retirement villages, new housing development and / or medium density apartment or townhouse developments and major shopping centres; and
- environmental, sustainability and climate change risks.

The Group continued with the execution of its focused acquisition strategy with 13 new storage centres, the freehold of one previously leasehold storage centre and eight development sites acquired during the Reporting Period, totalling $196.9 million.

DIRECTORS' REPORT

The Group re-values all assets each Reporting Period through a combined process undertaken by both external valuers and NSR's Directors based on valuations and methodologies from independent valuers. During this process the weighted average primary capitalisation rate reduced by 12 basis points to 5.86% and the value of the 30 June 2020 portfolio increased by $520 million, with the majority of this uplift driven by improved operating performance.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

For the period from 1 July 2022 to the date of this report the Group settled three storage centre investment properties for a total cost of $19m, and three development sites for $12.7m.

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 INTERESTS HELD IN NSPT BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates from NSPT during the year are disclosed in the Statement of Comprehensive Income and are detailed in note 16 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 22 August 2022 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.

Anthony Keane
Director
National Storage Financial Services Limited
Brisbane

Andrew Catsoulis
Director
National Storage Financial Services Limited
Brisbane

Building a better
working world

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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 its controlled entities

As lead auditor for the audit of the financial report of National Storage Property Trust and its controlled entities for the financial year ended 30 June 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
22 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Revenue from rental income		109,308	99,803
Interest income		155	265
Total revenue		**109,463**	**100,068**
Management fees		(4,092)	(3,607)
Other operational expenses		(2,711)	(1,533)
Finance costs	5	(27,423)	(31,585)
Share of profit from joint venture	10	70	1,282
Restructuring and other non-recurring costs		(4,057)	(548)
Gain from fair value adjustments	8.1	523,114	243,460
Profit before income tax		**594,364**	**307,537**
Income tax expense	6	(967)	(1,557)
Profit after tax		**593,397**	**305,980**
Profit for the year attributable to:			
Unitholders of National Storage Property Trust		**593,397**	**305,980**
Basic earnings per unit (cents)	17	49.84	29.75
Diluted earnings per unit (cents)	17	49.76	29.75

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022 $'000	2021 $'000
Profit after tax	**593,397**	**305,980**
Other comprehensive income / (loss)		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,686)	(494)
Net gain on cash flow hedges	26,793	13,581
Other comprehensive income for the year, net of tax	**22,107**	**13,087**
Total comprehensive income for the year	**615,504**	**319,067**
Total comprehensive income for the year attributable to:		
Unitholders of National Storage Property Trust	**615,504**	**319,067**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7.1	53,715	22,379
Trade and other receivables	7.2	457	17,150
Other current assets	7.3	387	81
Total current assets		**54,559**	**39,610**
Non-current assets			
Investment properties	8.1	3,666,134	2,896,167
Investment in joint venture	10	2,361	2,291
Other non-current assets	7.3	20,876	2,397
Total non-current assets		**3,689,371**	**2,900,855**
Total assets		**3,743,930**	**2,940,465**
LIABILITIES			
Current liabilities			
Trade and other payables	7.4	58,848	10,078
Lease liabilities	7.6	828	780
Deferred revenue		96	30
Income tax payable		-	135
Distribution payable	14	64,557	49,689
Other liabilities		-	22
Total current liabilities		**124,329**	**60,734**
Non-current liabilities			
Borrowings	7.5	972,017	756,800
Lease liabilities	7.6	17,655	16,166
Deferred tax liabilities	6	4,963	4,107
Other liabilities		-	103
Total non-current liabilities		**994,635**	**777,176**
Total liabilities		**1,118,964**	**837,910**
Net assets		**2,624,966**	**2,102,555**
EQUITY			
Contributed equity	11	1,595,013	1,568,864
Retained earnings		1,025,507	551,352
Foreign currency translation reserve	12	(6,190)	(1,504)
Cash flow hedge reserve	12	10,636	(16,157)
Total equity		**2,624,966**	**2,102,555**

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 2022

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 2021		**1,568,864**	**551,352**	**(1,504)**	**(16,157)**	**2,102,555**
Profit for the year		-	593,397	-	-	593,397
Other comprehensive income /(loss)		-	-	(4,686)	26,793	22,107
Total comprehensive income / (loss)		**-**	**593,397**	**(4,686)**	**26,793**	**615,504**
Issue of units		26,412	-	-	-	26,412
Costs associated with issue of units		(263)	-	-	-	(263)
Distributions	14	-	(119,242)	-	-	(119,242)
		26,149	**(119,242)**	**-**	**-**	**(93,093)**
Balance at 30 June 2022		**1,595,013**	**1,025,507**	**(6,190)**	**10,636**	**2,624,966**
Balance at 1 July 2020		**1,266,588**	**335,769**	**(1,010)**	**(29,738)**	**1,571,609**
Profit for the year		-	305,980	-	-	305,980
Other comprehensive income / (loss)		-	-	(494)	13,581	13,087
Total comprehensive income / (loss)		**-**	**305,980**	**(494)**	**13,581**	**319,067**
Issue of units		308,901	-	-	-	308,901
Costs associated with issue of units		(6,625)	-	-	-	(6,625)
Distributions	14	-	(90,397)	-	-	(90,397)
		302,276	**(90,397)**	**-**	**-**	**211,879**
Balance at 30 June 2021		**1,568,864**	**551,352**	**(1,504)**	**(16,157)**	**2,102,555**

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 2022

	Notes	2022 $'000	2021 $'000
Operating activities			
Receipts from customers		112,645	101,241
Payments to suppliers and employees		(9,026)	(6,635)
Interest received		51	217
Income tax paid		(109)	(258)
Net cash flows from operating activities	7.1	**103,561**	**94,565**
Investing activities			
Purchase of investment properties		(210,323)	(373,131)
Improvements to investment properties		(1,019)	(1,606)
Development of investment properties under construction		(42,585)	(45,440)
Net cash flows used in investing activities		**(253,927)**	**(420,177)**
Financing activities			
Proceeds from issue of units	11	-	297,932
Transaction costs on issue of units		(263)	(6,625)
Distributions paid to unitholders		(76,779)	(63,172)
Proceeds from borrowings		1,230,861	391,062
Repayment of borrowings		(1,009,267)	(310,000)
Borrowings from / (repayment to) related party		62,474	(11,343)
Payment of principal and interest on lease liabilities		(790)	(763)
Interest and other finance costs paid		(24,504)	(21,063)
Net cash flows from financing activities		**181,732**	**276,028**
Net increase / (decrease) in cash and cash equivalents		31,366	(49,584)
Net foreign exchange difference		(30)	(3)
Cash and cash equivalents at 1 July		22,379	71,966
Cash and cash equivalents at 30 June	7.1	**53,715**	**22,379**

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 2022

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 2022 was approved on 22 August 2022, 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 2021 financial statements except for the accounting policies impacted by new or amended accounting standards detailed in this note.

The Group presents only financial information relating to the NSPT Group within these financial statements. A separate financial report for NSR has also been prepared for the year ended 30 June 2022, this is available at www.nationalstorageinvest.com.au.

Deficiency of net current assets

As at 30 June 2022, the Group had an excess of current liabilities over current assets of $69.8m. The Group has payables of $41.8m due to National Storage Holdings (a related party entity) which are not expected to fall due within the period.

The Group generated strong operating cash flows of $103.6m for the year ended 30 June 2022 and has available funding facilities with tenor beyond a year of $308m (see note 7.5).

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

(b) Compliance with IFRS

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

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

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

Other standards, amendments and interpretations

Several other amendments and interpretations apply for the first time in the reporting period, but do not have a material impact on the consolidated financial report of the Group. 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 2022 are outlined in the following table:

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 2020-3	Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle)	Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf.	1 January 2022	1 July 2022
AASB 2020-3	Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use	Under AASB 116 Property, Plant and Equipment, net proceeds from selling items produced while constructing an item of property, plant and equipment are deducted from the cost of the asset. The IASB's research indicated diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use.	1 January 2022	1 July 2022

ASB 2020-1	Amendments to AASs – Classification of Liabilities as Current or Non-current	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management intention or expectation does not affect classification of liabilities.	1 January 2023	1 July 2023
AASB 2021-2	Amendments to AASB 108 – Definition of Accounting Estimates	An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information. The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.	1 January 2023	1 July 2023
AASB 2021-5	Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	AASB 112 Income Taxes requires entities to account for income tax consequences when economic transactions take place, and not at the time when income tax payments or recoveries are made. Entities need to consider the differences between the tax rules and the accounting standards. These differences could either be: Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted; or Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit. Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless prohibited by AASB 112 in certain circumstances.	1 January 2023	1 July 2023

		One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. The amendments to AASB 112 have narrowed the scope of this exception such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.		
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 *Investments in Associates* and Joint Ventures 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 2025	1 July 2025

(d) Basis of consolidation

The consolidated financial statements of NSPT 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.

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 consolidated 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. This 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, at each reporting date, the Group determines whether there is objective evidence that the investment in the 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.

(e) Revenue recognition

Revenue is recognised when performance obligations have been met and is measured at the fair value of the consideration received or receivable to the extent it is probable the economic benefits will flow to the Group and the revenue can be reliably measured.
The Group's revenue is disaggregated in the consolidated statement of profit or loss that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following specific recognition criteria 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.

Interest income
Interest income is recognised using the effective interest method.

(f) 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 is an Attribution Managed Investment Trust, such that the determined tax components of NSPT will be taxable in the hands of unitholders on an attribution basis.

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

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 consolidated 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 assets and liabilities are recognised for all deductible or taxable temporary differences, except:

- When the deferred tax asset or 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 deductible or 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, and in the case of deferred tax assets taxable profit will be available against which the temporary differences can be utilised.

The deferred tax liabilities in relation to investment property is recognised dependent upon the taxable impact in the relevant jurisdiction. The Group assumes that the current measurement at fair value will be recovered entirely through a sale.
In New Zealand, as any capital gain on sale will generally be exempt from tax, the deferred tax liability in relation to these assets would generally be calculated based on the amount of any tax depreciation recovery.

Deferred tax assets are also recognised relating to the carry forward of unused tax credits and unused tax losses 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.

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.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated 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 consolidated 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.

(g) 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 at 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 recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss).

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.

(h) Business combinations and goodwill

The Group accounts for a transaction as a business combination if it meets the definition under AASB 3, which requires the assets and liabilities acquired to constitute a business. A business is defined as an integrated set of activities and assets that are 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 if these is 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 applies the amendments to the definition of a business under AASB 2018-6 including 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 accounted for as an asset acquisition rather than a business combination.

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 consolidated 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.

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 consolidated 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 exceeds the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all assets acquired and 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 ("**CGUs**") 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 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.

(i) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(j) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank, 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and term deposits as defined above.

(k) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus 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 *Revenue from Contracts with Customers.*

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 on the principal amount outstanding. This assessment 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 include trade and other 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 consolidated statement of profit or loss and computed in the same manner as 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 consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Derecognition

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

Impairment

The Group uses AASB 9 *Financial Instruments'* expected loss approach with a forward-looking expected credit loss ("**ECL**") methodology to recognise an ECL provision 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.

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.

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

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

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

(l) Financial liabilities

Initial recognition and measurement

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

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 at fair value through profit or loss.

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

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("**EIR**") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

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 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, this 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 consolidated statement of profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Derivative financial instruments and hedge accounting

Initial recognition and measurement

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to 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.

For hedges that were initially entered into prior to 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 if they 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 7.7. Movements in the hedging reserve in equity are shown in note 12. The full fair value of a hedging derivative is classified as either a current or non-current asset or liability dependent upon if remaining maturity of the hedged item is less than or greater than 12 months. Trading derivatives are classified as a current asset or liability.

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 interest income and 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.

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 within the hedging reserve.

The amounts accumulated in other comprehensive income are accounted for depending on the nature of the underlying hedged transaction. These amounts are 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 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 accumulated amount remaining in 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 similar way 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 consolidated 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 consolidated statement of profit or loss.

(n) 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. Investment properties under construction are held at cumulative cost of construction as a proxy for fair value. This serves as the most appropriate basis to estimate fair value particularly during the early stages of development and is adjusted once risks associated with the completion of development and ultimate operations of the property are determined to be insignificant.

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 required by the underlying financing or the Directors determine a more frequent valuation cycle.

For properties subject to an independent valuation, 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.

In some transactions involving the purchase of a group of assets the value assessed by NSR, being the purchase price paid, may exceed the sum of the independent property valuations which are undertaken on a stand-alone property basis. This excess in value represents a portfolio premium.

Any portfolio premium attributable to the investment property assets acquired in transactions accounted for as asset acquisition is allocated to the individual identifiable assets acquired within each portfolio on the relative fair value basis at the date of acquisition 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 consolidated 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.

(o) Impairment of assets

Non-financial 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.

(p) Contributed equity

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

(q) Distribution 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 consolidated statement of profit or loss.

(r) 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.

(s) 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.

(t) Fair value measurement

The Group measures 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 measurement refer to notes 7.7 and 8.2.

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.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management (note 14)
- Financial instruments risk management and policies (notes 7.7, 13)
- Sensitivity analyses disclosures (notes 8.2, 13).

Judgements

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

Significant judgements

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

For the years ended 30 June 2022 and 30 June 2021, 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.

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

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 consolidated statement of profit or loss under fair value adjustments. Fair values of individual properties are determined by a combination of independent valuations assessed on a rotational basis and annual Directors' valuations, determined using the same techniques and similar estimates to those applied by the independent valuer.
The capitalisation of net operating income approach to investment property valuations is applied by both the external and Directors' valuations. This is a commonly applied valuation method for storage facilities within Australia and New Zealand. This methodology is generally used in sectors where revenue is earned from short term rentals or an operating activity as opposed to a fixed long-term rental lease.

The Group calculates net operating income before depreciation, amortisation, interest, tax, and capital expenditure deductions for both passive income (current trading income) and potential income (additional income at sustainable occupancy). Potential income is subject to a higher degree of risk, reflected in a higher secondary capitalisation rate. The approach of disaggregating a property's net operating income between current passive income and future potential income allows appropriate risk adjusted capitalisation rates to be applied to each income stream.

The Group disaggregates primary and secondary capitalisation rates to provide more transparency to the valuation process. This gives visibility over the separate rates applied to passive income from current trading and potential income, and the resultant differing risk profile which exists between these income categories.

The key assumptions used to determine the fair value of the properties and the sensitivity analyses are provided in note 8.2.

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 Consolidated statement of Profit or Loss represent the same segment information as reported to the Responsible Entity of NSPT. The Group's financing (including finance costs and interest income) are managed on a Group basis and not allocated to operating segments.

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

Geographic information

	2022 $'000	2021 $'000
Revenue from external customers		
Australia	97,178	88,206
New Zealand	12,130	11,597
Total	109,308	99,803

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

	2022 $'000	2021 $'000
Non-current operating assets		
Australia	3,236,030	2,555,944
New Zealand	430,104	340,223
Total	3,666,134	2,896,167

Non-current assets for this purpose consists of investment properties.

94% of revenue is received from the NSH Group, a related entity (2021: 94%).

5. FINANCE COSTS

	2022 $'000	2021 $'000
Interest on borrowings	18,841	19,958
Reclassification from cash flow hedge reserve to consolidated statement of profit or loss (see note 12)	7,815	10,923
Interest on lease liabilities	767	704
	27,423	31,585

6. INCOME TAX

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

The major components of income tax expense for the years ended 30 June 2022 and 30 June 2021 are:

	Notes	2022 $'000	2021 $'000
Consolidated statement of profit or loss			
Current tax		(44)	151
Deferred tax		1,039	1,422
Adjustment in relation to prior periods		(28)	(16)
Total income tax expense		967	1,557
Consolidated statement of comprehensive income			
Net gain / (loss) on revaluation of cash flow hedges	12	3	(6)
Reconciliation of tax expense and accounting profit multiplied by Australia's domestic tax rate for 2022 and 2021:			
Profit before tax		594,364	307,537
Deduct profit before tax from Trusts owning Australian properties		(559,655)	(270,069)
Accounting profit before income tax		34,709	37,468
Tax at the Australian tax rate of 30% (2021 – 30%)		10,413	11,240
Deductible / non-assessable amounts		(8,804)	(8,918)
Non-deductible / assessable expenses		48	-
Adjustments in respect of previous years		(28)	(16)
Effect of lower tax rates in New Zealand		(697)	(749)
Derecognition of previously recognised tax losses		35	-
Income tax expense		967	1,557

	2022 $'000	2021 $'000
Deferred tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(240)	22
Increase in deferred tax liabilities	1,096	1,388
Movement of deferred tax asset on carry forward losses shown in current tax expense	44	-
Exchange variations	136	6
Movement in deferred tax asset recognised in other comprehensive income	3	6
Total deferred tax expense	1,039	1,422

	2022 $'000	2021 $'000
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Accrued expenses	105	4
Carry forward losses	44	-
Other	95	-
Total deferred tax assets	244	4
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Trade and other receivables	-	3
Revaluations of investment properties	5,207	4,108
Total deferred tax liabilities	5,207	4,111
Net deferred tax liabilities	4,963	4,107
Reconciliation to consolidated statement of financial position		
Deferred tax liabilities	4,963	4,107

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

The Group has recognised $157,000 (2021: nil) of gross tax losses which arose in New Zealand. These losses are available for offsetting against future taxable profits of NSNZPT.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	Notes	2022 $'000	2021 $'000
Financial assets			
At amortised cost			
Cash and cash equivalents	7.1	53,715	22,379
Trade and other receivables	7.2	457	17,150
		54,172	39,529
Measured at fair value			
Derivatives used for hedging	7.3	21,263	2,408
Total financial assets		75,435	41,937
Financial liabilities			
Trade and other payables	7.4	58,848	10,078
Borrowings	7.5	975,448	760,093
		1,034,296	770,171
Measured at fair value			
Derivatives used for hedging		-	125
Total financial liabilities		1,034,296	770,296

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

	2022 $'000	2021 $'000
Cash at bank	53,715	22,379

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

	2022 $'000	2021 $'000
Profit for the year	593,397	305,980
Income tax expense	967	1,557
Profit before income tax	594,364	307,537
Adjustments to reconcile profit before tax to net cash flows:		
Fair value adjustment to investment properties	(523,114)	(243,460)
Derecognition of capitalised borrowing costs	3,842	-
Share of profit of joint venture	(70)	(1,282)
Interest income	(155)	(265)
Finance costs	27,423	31,585
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	915	(709)
Decrease / (increase) in other assets	70	(58)
Increase in payables	278	1,306
Increase / (decrease) in deferred revenue	66	(48)
Cash flows from operating activities	**103,619**	**94,606**
Interest received	51	217
Income tax paid	(109)	(258)
Net cash flows from operating activities	**103,561**	**94,565**

Disclosure of non-cash financing activities

Non-cash financing activities include capital raised pursuant to the NSR's distribution reinvestment plan. During the year 11.9m of units (2021: 6.6m) were issued with a cash equivalent of $27.6m (2021: $12.0m). 92% of the total value of 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 issue.

7.2. Trade and other receivables

	Notes	2022 $'000	2021 $'000
Current			
GST and employment taxes receivable		-	722
Other receivables		457	453
Receivables from related parties	15	-	15,975
Total		457	17,150

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

At 30 June 2022 and 30 June 2021, 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

	2022 $'000	2021 $'000
Current		
Prepayments	-	70
Financial assets (derivatives)	387	11
	387	81
Non-current		
Financial assets (derivatives)	20,876	2,397
Total current and non-current	21,263	2,478

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.

7.4. Trade and other payables

	2022 $'000	2021 $'000
Current		
Accrued expenses	6,704	5,899
GST and employment taxes payable	256	26
Other payables	565	731
Related party payables	51,323	3,422
Total	58,848	10,078

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

	2022 $'000	2021 $'000
Non-current		
Bank finance facilities	975,448	760,093
Non-amortised borrowing costs	(3,431)	(3,293)
Total borrowings	972,017	756,800

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:

	2022 $'000	2021 $'000
Bank finance facilities (AUD)		
Drawn amount	827,000	546,750
Facility limit	1,080,000	930,000
Bank finance facilities (NZD)		
Drawn amount	164,250	229,150
Facility limit	225,000	251,750
AUD equivalent of NZD facilities		
Drawn amount	148,448	213,343
Facility limit	203,354	234,384

The major terms of these agreements are as follows:

- At 30 June 2022 maturity dates on these facilities range from 23 September 2023 to 23 June 2029 (30 June 2021: maturity dates from 23 July 2022 to 23 December 2026).
- All facilities are interest only with any drawn balances paid upon maturity.
- The interest rate applied is the bank bill rate plus a margin depending on the gearing ratio.

The Group has a bank overdraft facility with a limit of $3m that was undrawn at 30 June 2022 and 30 June 2021. During the year ended 30 June 2022, the Group completed a refinance of its debt facilities. This resulted in the transition from a secured "club" arrangement to an unsecured lending platform under a revised Common Terms Deed. On conclusion of this process, the Group repaid existing facilities and entered into a combination of revolver facilities and term loans with major Australian and international banks. This has extended the tenor of the Group's borrowings and also expanded the Group's lender pool.

The Group continues to hold an institutional term loan with a major Australian superannuation fund, and an undrawn financing facility with JP Morgan.

Transaction costs of $3.8m relating to extinguished facilities were expensed in the period. These costs are included within restructuring and other non-recurring costs in the consolidated statement of profit or loss.

The Group has complied with the financial covenants of their borrowing facilities during the 2022 and 2021 reporting periods (see note 14). The fair value of interest-bearing loans and 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 interest rate hedges in place as at the end of the reporting period:

	2022 $'000	2021 $'000
Interest rate hedges (AUD)		
Current interest rate hedges	360,000	385,000
Interest rate hedges (NZD)		
Current interest rate hedges	-	50,000
AUD equivalent of NZD interest rate hedges		
Current interest rate hedges	-	46,551

Interest rate swaps in place at the end of the reporting period have maturity dates ranging from 23 September 2022 to 23 September 2026 (2021: 23 September 2021 to 23 September 2026).

The cumulative change in fair value of these hedging instruments is carried in the cash flow hedge reserve in equity. This balance will be amortised from the hedge reserve to finance costs in the consolidated statement of profit or loss in future reporting periods corresponding to when the underlying hedged item impacts profit or loss. For the year ended 30 June 2022 $7.8m (30 June 2021: $10.9m) has been recognised in finance costs relating to this item (see note 5).

Hedge of net investments in foreign operations

Included in borrowings at 30 June 2022, amounts totalling NZD $51.9m (AUD $47.2m) have been designated as a hedge of the net investments against the value of investment properties held in New Zealand (2021: NZD $51.9m, (AUD $48.3m)). These borrowings are 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 2022 or 30 June 2021 recognised in the consolidated statement of profit or loss.

7.6. Lease liabilities

	2022 $'000	2021 $'000
Lease liabilities relating to right of use assets presented as leasehold investment properties		
Current lease liabilities	828	780
Non-current lease liabilities	17,655	16,166
Total lease liabilities	18,483	16,946

Group as a lessor

The Group's investment properties are leased to entities within the NSH Group and third-party tenants under long-term leases (see note 8.1). Future minimum rentals receivable under non-cancellable operating leases are as follows:

	30 June 2022 $'000	30 June 2021 $'000
Within one year	115,612	106,562
After one year but not more than five years	444,804	441,658
More than five years	1,161,923	1,268,503
Total	1,722,339	1,816,723

7.7. 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 2022					
Derivatives used for hedging - interest rate swaps					
Current financial assets	7.3	-	387	-	387
Non-current financial assets	7.3	-	20,876	-	20,876
		-	21,263	-	21,263
At 30 June 2021					
Derivatives used for hedging - Interest rate swaps					
Current financial assets	7.3	-	11	-	11
Non-current financial assets	7.3	-	2,397	-	2,397
Current financial liabilities		-	(22)	-	(22)
Non-current financial liabilities		-	(103)	-	(103)
		-	2,283	-	2,283

There were no transfers between levels of fair value hierarchy during the years ended 30 June 2022 or 30 June 2021.

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. Investment properties

	Notes	2022 $'000	2021 $'000
Investment properties in operation	8.2	3,588,663	2,812,374
Investment properties under construction		77,471	83,793
Total investment properties		3,666,134	2,896,167
Investment properties in operation			
Opening balance at 1 July		2,812,374	2,163,784
Property acquisitions		185,922	336,908
Improvements to investment properties		1,019	1,479
Items reclassified from investment property under construction		83,987	67,894
Items reclassified to freehold investment property under construction		(10,261)	-
Reassessment of lease terms		1,560	2
Lease diminution, presented as fair value adjustments		(24)	(58)
Net gain from fair value adjustments		523,138	243,518
Effect of movement in foreign exchange		(9,052)	(1,153)
Closing balance at 30 June		3,588,663	2,812,374
Investment property under construction			
Opening balance at 1 July		83,793	69,581
Property acquisitions		23,732	36,184
Development costs		45,208	46,060
Items reclassified to investment properties		(83,987)	(67,894)
Items reclassified from investment properties		10,261	-
Effect of movement in foreign exchange		(1,536)	(138)
Closing balance at 30 June		77,471	83,793

8.2. 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 7.7 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 2022					
Investment properties	8.1	-	-	3,588,663	3,588,663
At 30 June 2021					
Investment properties	8.1	-	-	2,812,374	2,812,374

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 or between levels 2 and 3 for recurring fair value measurements during the current or prior year.

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. Freehold investment properties acquired in the year ended 30 June 2022 have been held at acquisition price.

Due to general market and economic uncertainty in relation to COVID-19, there is a heightened degree of valuation uncertainty which could cause property values to change significantly and unexpectedly over a short period of time. However, the financial impact of COVID-19 on the Group's business has been minimal to date and the Group considers that there continues to be a strong demand for storage rental as evidenced by NSR's strong occupancy levels which underpin the operating results.

At 30 June 2022, the Group held 41% of investment properties at external valuation. (30 June 2021: 37%).

Valuation inputs and relationship to fair value

Description	Significant unobservable inputs	Range at 30 June 2022	Range at 30 June 2021
Investment properties	Primary capitalisation rate	4.7% to 7.9%	5.0% to 7.0%
	Secondary capitalisation rate	5.3% to 8.5%	6.0% to 8.0%
	Weighted average primary cap rate	5.8%	5.9%
	Weighted average secondary cap rate	6.3%	6.4%
	Sustainable occupancy	70% to 98%	75% to 98%
	Stabilised average EBITDA	$1,087,144	$963,839

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

The capitalisation rates are derived from recent sales of similar properties. The secondary capitalisation rate is typically higher than the primary capitalisation rate to reflect the additional risk associated with these cashflows. Generally, an increase in stabilised 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 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 2022:

	Increase/ (decrease) in input	Increase/ (decrease) in fair value $'000
Primary capitalisation rate	1% / (1%)	(480,713) / 684,897
Secondary capitalisation rate	2% / (2%)	(76,979) / 151,904
Sustainable occupancy	5% / (5%)	208,659 / (81,373)
Stabilised EBITDA	5% / (5%)	164,884 / (62,541)

At 30 June 2021:

	Increase/ (decrease) in input	Increase/ (decrease) in fair value $'000
Primary capitalisation rate	1% / (1%)	(352,120) / 500,170
Secondary capitalisation rate	2% / (2%)	(96,400) / 180,310
Sustainable occupancy	5% / (5%)	169,010 / (73,120)
Stabilised EBITDA	5% / (5%)	130,030 / (77,740)

9. INFORMATION RELATING TO SUBSIDIARIES

The ultimate holding entity of the Group is National Storage Property Trust.

The consolidated financial statements of the Group as at 30 June 2022 include:

Name of controlled entity	Place of registration	Equity interest 2022	Equity interest 2021
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%
National Storage Finance Pty Ltd	Australia	100%	-

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

10. INTEREST IN JOINT VENTURE

	2022 $'000	2021 $'000
Opening balance at 1 July	2,291	1,009
Share of profit from joint venture	70	1,282
Closing balance at 30 June	2,361	2,291

The Group holds a 25% interest in the Bundall Storage Trust (2021: 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.

The Bundall Storage Trust develops investment property. As at 30 June 2022, the Bundall Storage Trust had one storage centre investment property. The Bundall Storage Trust is not listed on any public exchange.

11. CONTRIBUTED EQUITY

	2022 $'000	2021 $'000
Issued and paid up capital	1,595,013	1,568,864

Number of units on issue	2022	2021
Opening balance at 1 July	1,183,070,060	1,013,740,898
Institutional and retail placement	-	162,736,215
Distribution reinvestment plan	11,919,173	6,592,947
Units issued under equity incentive plan	509,076	-
Closing balance at 30 June	1,195,498,309	1,183,070,060

Distribution reinvestment plan
During the year, 11,919,173 units (2021: 6,592,947) were issued to unitholders participating in NSR's Distribution Reinvestment Plan for consideration of $27.6m (2021: $12m). The units were issued at the volume weighted average market price of NSR's securities over a period of ten trading days, less a 2% discount.

Securities issued under equity incentive plan
During the year 509,076 units were issued to the NSH senior executive team for FY21 Short Term Incentive ("**STI**") and Long Term Incentive ("**LTI**") remuneration under the Equity Incentive Plan ("**the Plan**"). These units were issued following approval at the 2021 AGM on 26 October 2021. No consideration was paid by the recipients for the issue of the stapled securities, which were issued for a deemed price of $2.044 per stapled security under the terms of the STI and LTI award. The deemed price was calculated using the volume weighted average market price of the Group's stapled securities over a 30-day trading period to 30 June 2021.

Capital raises
In the prior year ended 30 June 2021, the group raised a total of $325m of equity resulting in the issue of 162,736,215 new units.

92% of the total value of equity raised ($28.6m) 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 issue.

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

	2022 $'000	2021 $'000
Foreign currency translation reserve		
Opening balance at 1 July	(1,504)	(1,010)
Net investment hedge	700	194
Foreign exchange translation differences	(5,386)	(688)
Closing balance at 30 June	(6,190)	(1,504)
Cash flow hedge reserve		
Opening balance at 1 July	(16,157)	(29,738)
Revaluation of cash flow hedges	18,981	2,652
Reclassification to consolidated statement of profit or loss (see note 5)	7,815	10,923
Taxation impact on revaluation	(3)	6
Closing balance at 30 June	10,636	(16,157)
Other reserves	4,446	(17,661)

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

In previous years, the Group has reset the interest rates associated with interest rate swaps designated as cash flow hedges. In accordance with AASB 9 *Financial instruments,* as the nature of the underlying hedged instrument is unchanged the fair value of these outflows remain in the cash flow hedge reserve and are amortised to the consolidated statement of profit or loss in both the current and future periods relating to the profile of the original instrument. During the year ended 30 June 2022, $7.8m (30 June 2021: $10.9m) has been recognised in finance costs relating to this item (see note 5).

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.

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 uses 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	2022 $'000	2021 $'000
Interest rate swaps designated as cash flow hedges presented in:			
Current assets	7.3	387	11
Non-current assets	7.3	20,876	2,397
Current liabilities		-	(22)
Non-current liabilities		-	(103)
Net liabilities		21,263	2,283

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(l). For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has included related hedging gains and losses in the initial measurement of the cost of the asset. The ineffectiveness recognised in the consolidated 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 7.7.

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 2022 and 30 June 2021. 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 2022 and 30 June 2021.

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 consolidated 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 2022 and 30 June 2021 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 2022 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 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 2022, after taking into account the effect of interest rate swaps, 36.91% (2021: 56.8%) 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
2022		
Australian dollar denominated debt	+50 / -50	(1,953) / 1,953
New Zealand dollar denominated debt	+50 / -50	(2,008) / 2,008
2021		
Australian dollar denominated debt	+50 / -50	(1,399) / 1,399
New Zealand dollar denominated debt	+50 / -50	(765) / 765

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.

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.

	Change in NZD rate	Effect on profit before tax $'000	Effect on pre-tax equity $'000
2022	+5%	(1,592)	(5,531)
	-5%	1,760	6,113
2021	+5%	(1,739)	(5,608)
	-5%	1,923	6,199

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 consolidated statement of financial position at 30 June 2022 and 30 June 2021 is the carrying amounts as indicated in the consolidated 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:

	2022 $'000	2021 $'000
Floating rate		
Expiring beyond one year (loans)	307,906	403,041

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 consolidated 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 2022						
Non-derivatives						
Trade and other payables	560	57,566	722	-	-	**58,848**
Borrowings	-	10,745	37,886	1,057,449	28,983	**1,135,063**
Lease liabilities	-	205	623	3,589	27,723	**32,140**
Distribution payable	-	64,557	-	-	-	**64,557**
Total non-derivatives	560	133,072	39,231	1,061,038	56,706	**1,290,607**
Derivatives						
Inflows	-	(1,967)	(6,479)	(17,220)	-	**(25,666)**
Outflows	-	336	824	2,053	-	**3,213**
Total derivatives	-	(1,631)	(5,655)	(15,167)	-	**(22,453)**
	560	131,441	33,576	1,045,871	56,706	**1,268,154**
At 30 June 2021						
Non-derivatives						
Trade and other payables	286	9,284	508	-	-	**10,078**
Borrowings	-	4,555	13,633	748,330	50,597	**817,115**
Lease liabilities	-	385	586	3,342	25,661	**29,974**
Distribution payable	-	49,689	-	-	-	**49,689**
Total non-derivatives	286	63,913	14,727	751,672	76,258	**906,856**
Derivatives						
Inflows	-	(118)	(332)	(5,825)	(240)	**(6,515)**
Outflows	-	386	965	3,131	67	**4,549**
Total derivatives	-	268	633	(2,694)	(173)	**(1,966)**
	286	64,181	15,360	748,978	76,085	**904,890**

Changes in liabilities arising from financing activities

	1 July 2021 $'000	Cash flows $'000	Foreign exchange movement $'000	Changes in fair value $'000	Other $'000	30 June 2022 $'000
Derivatives:						
Interest rate swaps						
Current financial liabilities	22	-	-	(22)	-	**-**
Non-current financial liabilities	103	-	-	(103)	-	**-**
Distributions payable	49,689	(76,779)	-	-	91,647	**64,557**
Non-current borrowings	756,800	221,594	(6,262)	-	(115)	**972,017**
Lease liabilities						
Current liabilities	777	(797)	-	-	848	**828**
Non-current liabilities	16,169	-	-	-	1,486	**17,655**
Total liabilities from financing activities	823,560	144,018	(6,262)	(125)	93,866	**1,055,057**

	1 July 2020 $'000	Cash flows $'000	Foreign exchange movement $'000	Changes in fair value $'000	Other $'000	30 June 2021 $'000
Derivatives:						
Interest rate swaps						
Current financial liabilities	50	-	-	(28)	-	**22**
Non-current financial liabilities	357	-	-	(254)	-	**103**
Distributions payable	34,467	(63,172)	-	-	78,394*	**49,689**
Non-current borrowings	676,452	81,062	(782)	-	68	**756,800**
Lease liabilities						
Current liabilities	758	(59)	-	-	78	**777**
Non-current liabilities	16,245	-	-	-	(76)	**16,169**
Total liabilities from financing activities	728,329	17,831	(782)	(282)	78,464	**823,560**

*Other balances presented above represent distributions declared in the year: $119.2m (30 June 2021 $90.4m) (see note 14), less units issued under the distribution reinvestment plan which do not result in a cash outflow: $27.6m (30 June: 2021; $12m (see note 11).

**Relates to principal portion of lease liability payment. Total lease payments for the year ended 30 June 2022 were $0.8m (30 June 2021: $0.8m) as disclosed in the Consolidated Statement of Cashflows.

14. CAPITAL MANAGEMENT

The Group's objectives when managing capital are two-fold, to safeguard its ability to continue as a going concern, and to maintain an optimal structure to reduce the cost of capital and maximise long term value for the securityholder. The Responsible Entity has outsourced capital management for the Group to NSH under a management agreement.

In order to achieve these objectives, the Group's capital management strategy aims to ensure that it meets financial covenants attached to 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 lease liabilities. Net debt includes borrowings, less cash and short-term deposits.

As at 30 June 2022, the Groups gearing ratio was 23% (30 June 2021: 22%). The Group's target is to keep the gearing ratio between 25% and 40%.

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 operating earnings adjusted for interest, tax, depreciation and finance amortisation costs equals or exceeds a multiple of two times interest expense. The Group has complied with these covenants throughout the reporting period.

Distributions

Distributions have been made and declared as noted below.

Unit distributions	2022 $'000	2021 $'000
NSPT interim distribution of 4.6 cents per unit paid on 1 March 2022 (2021: 4 cents per unit)	54,685	40,708
NSPT final distribution of 5.4 cents per unit payable on 2 September 2022 (2021: 4.2 cents per unit)	64,557	49,689
	119,242	90,397

There are no proposed distributions not recognised as a liability for the year ended 30 June 2022.

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	2022	-	-	-	41,796,446
	2021	-	-	15,971,809	-
National Storage (Operations) Pty Ltd	2022	76,962,162	1,062,624	-	-
	2021	69,054,809	998,575	3,345	-
Southern Cross Storage Operations Pty Ltd	2022	15,014,000	-	-	-
	2021	14,449,000	-	-	-
National Storage Financial Services Limited	2022	-	2,568,123	-	859,706
	2021	-	2,171,430	-	643,190
National Storage Limited	2022	10,578,333	-	-	8,667,832
	2021	10,103,587	-	-	2,779,019

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 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 2022 and 30 June 2021, 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 2022, the Group held commitments to purchase four freehold investment properties and six development sites for $78.4m (30 June 2021: four freehold investment properties and three development sites for $53.7m).

As at 30 June 2022, the Group has contractual commitments in place for the construction of self-storage centres in Australia for $68.9m (30 June 2021: NZD$32.5m (AUD$30.3m) in New Zealand). (see note 10.3).

There is no other capital expenditure contracted for at the end of the reporting period but not recognised as a liability. There are no other contingent assets or liabilities for the Group.

Lease liability commitments
For details of lease liability commitments see note 7.6.

Contingent liabilities
The Group did not have any contingent liabilities as at 30 June 2022 and 30 June 2021.

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.

	2022 cents	2021 cents (restated)
Basic earnings per unit	49.84	29.75
Diluted earnings per unit	49.76	29.75

Reconciliation of earnings used in calculating earnings per unit

	$'000	$'000
Net profit attributable to members	593,397	305,980

	No. of units	No. of units (restated)
Weighted average number of units on issue during the year	1,189,922,871	1,020,912,858
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	661,495	4,417,359
Weighted average number of units used to calculate basic and diluted earnings per stapled unit	1,190,584,366	1,025,330,217
Effects of dilution from issue of performance rights and restricted securities	1,849,417	-
Weighted average number of units for diluted earnings per unit	1,192,433,783	1,028,376,576

As required by AASB *133 Earnings per Share* for capital raises during the year ended 30 June 2022, 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 ended 30 June 2022 used to calculate basic and diluted earnings per unit has also been restated on this basis.

Diluted EPU is calculated by dividing the profit attributed to members by the weighted average number of units for basic earnings per stapled unit plus the weighted average number of units that would be issued on conversion of all dilutive potential units into units.

18. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

	2022 $	2021 $
Amounts received or due and receivable by Ernst & Young Australia for:		
Category 1 – Fees for auditing the statutory financial report of the group and any other group entity	91,700	88,700
Category 2 – Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Category 3 - Fees for other assurance services under other legislation or contractual arrangements where there is discretion on service provider	-	-
Category 4- Fees for other services	33,535	30,990
Total auditors' remuneration	125,235	119,690

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 2022 $'000	 2021 $'000
Current assets	132,086	144,691
Total assets	3,182,038	2,569,880
Current liabilities	(125,761)	(64,478)
Total liabilities	(845,103)	(673,725)
Net assets	2,336,935	1,896,155
Issued capital	1,595,010	1,568,864
Cash flow hedge reserve	10,635	(15,897)
Foreign currency translation reserve	979	(90)
Retained earnings	730,311	343,278
	2,336,935	1,896,155
Profit after tax	506,276	254,134
Total comprehensive income	533,877	266,850
Distributions	(119,242)	(90,397)

Guarantees entered into by the parent entity

The Group's parent entity has provided bank guarantees of $0.3m (2021: $0.3m) to third party lessors.

In the year ended 30 June 2021, the Group's parent entity provided financial guarantees in respect of bank overdrafts and loans amounting to $760.1m.

Contingent liabilities of the parent entity

The parent entity of Group did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

20. EVENTS AFTER REPORTING PERIOD

For the period from 1 July 2022 to the date of this report the Group settled three storage centre investment properties for a total cost of $19m, and three development sites for $12.7m.

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 2022 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 2022 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 2022.

On behalf of the Responsible Entity,

Anthony Keane
Director
22 August 2022
Brisbane

Andrew Catsoulis
Director
22 August 2022
Brisbane

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Independent auditor's report to the members of National Storage Property Trust

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 2022, the consolidated statement of profit or loss, consolidated statement of 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 2022 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 (including Independence Standards)* (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.

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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 matter below, provide the basis for our audit opinion on the accompanying financial report.

Investment property valuation

Why significant	How our audit addressed the key audit matter
Investment properties represent approximately 98% of the Group's total assets. 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 are 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 EBITDA (earnings before interest, tax, depreciation and amortisation). Disclosure relating to investment properties and the associated significant judgments are included in Notes 2(n), 3, 8.1 and 8.2 of the financial report.	Our audit procedures included the following: ▸ With the involvement of our real estate valuation specialists, we assessed: ▪ The suitability of the valuation methodologies used; ▪ The competence, qualifications and objectivity of both the Group's internal valuers and external valuation experts; and ▪ The reasonability of key assumptions and inputs used in the valuations. These assumptions and inputs included capitalisation rates, occupancy rates including forecast occupancy levels, and stabilised EBITDA. ▸ Agreed source data used in the valuations to support 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 used in the valuation process; ▸ Where relevant, we evaluated the movement in the capitalisation rates, occupancy rates, and stabilised EBITDA across the portfolio based on our knowledge of the property portfolio, comparable acquisition transactions in the period, published industry reports and comparable external valuations; and ▸ We considered the adequacy of disclosures in relation to the valuation methods and principles disclosed in Note 2(n) *Summary of significant accounting policies - Investment properties*, Note 3 *Significant accounting judgements, estimates and assumptions -Revaluation of investment properties*, Note 8.1 *Investment properties* and Note 8.2 *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 is the Director's report accompanying financial report.

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

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

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

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

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

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

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

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

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

- 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine a specific matter that was of most significance in the audit of the financial report of the current year and is therefore the key audit matter. We describe this matter 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

Wade Hansen

Wade Hansen
Partner
Brisbane
22 August 2022