



**NATIONAL STORAGE PROPERTY TRUST (NSPT)  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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

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# CORPORATE INFORMATION

National Storage Property Trust ARSN 101 227 712 ("NSPT Group")<sup>1</sup>

## **Responsible Entity of NSPT**

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

## **Directors – the Responsible Entity**

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

## **Company Secretary – the Responsible Entity**

Claire Fidler and Patrick Rogers

## **Registered office**

Level 23, 71 Eagle Street  
Brisbane QLD 4000

## **Principal place of business**

Level 23, 71 Eagle Street  
Brisbane QLD 4000

## **Unit registry**

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford VIC 3067

## **Auditor**

Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000

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

# DIRECTORS' REPORT

The NSPT Group is a Consolidated Group of Trusts which hold 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 the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. The Responsible Entity of the Trust must at all times act in the best interest of NSPT. The stapling arrangement will continue until either the winding up of the Company or the Trust, or either entity terminates the stapling arrangements.

The Directors of National Storage Financial Services Limited as responsible entity of NSPT present their report together with the financial statements of National Storage Property Trust ("NSPT Group") for the financial half-year ended 31 December 2018 ("Reporting Period").

## DIRECTORS

### National Storage Financial Services Limited, "The Responsible Entity"

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

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

## PRINCIPAL ACTIVITIES

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

## REVIEW AND RESULTS OF OPERATIONS

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

### Operating results

For the half-year ended 31 December 2018, total revenue increased by 17% to \$34.3m (31 December 2017: \$29.2m) through revenue growth achieved via rental income from acquired investment properties.

Profit after tax decreased by 62% to \$25m (31 December 2017: \$66.2m) due to fair value adjustments associated with the carrying value of investment properties reducing by \$43.5m to \$4.7m.

### Capital management

Cash and cash equivalents as at 31 December 2018 were \$0.6m (30 June 2018: \$2.7m). Net operating cashflow for the half-year increased by \$1.8m to \$32.4m (31 December 2017: \$30.6m).

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

During the period NSR successfully completed a fully underwritten \$175.4m equity raising. This resulted in the issue of 105,677,937 new units of which \$158.9m of equity was attributed to the NSPT Group.

NSR operates a Distribution Reinvestment Plan ("DRP") which enables eligible unit holders to receive part or all of their distribution by way of units rather than cash.

The final distribution relating to June 2018 saw 23% of eligible unitholders (by number of units) elect to receive their distributions as securities totalling \$6.3m of equity from the issue of 3,706,095 units during the period. \$5.7m of equity was attributed to the NSPT Group.

# DIRECTORS' REPORT

For the 31 December 2018 interim distribution 33% of eligible unitholders (by number of units) elected to receive their distributions by way of securities. The DRP price has been set at \$1.818 which will result in 5,437,677 new securities being issued on the distribution payment date. The impact of this will be reflected in the NSPT financial statements for the year ended 30 June 2019.

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

## Investments

During the reporting period the property investment portfolio expanded following the acquisition of thirteen storage centre assets across Australia and New Zealand valued at \$128.1m and adding 48,800 of net lettable area to the NSPT Group's portfolio.

## SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

## ROUNDING

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

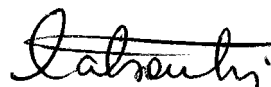
## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

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



Laurence Brindle  
Director  
National Storage Financial Services Limited  
Brisbane



Andrew Catsoulis  
Director  
National Storage Financial Services Limited  
Brisbane

# AUDITOR'S INDEPENDENCE DECLARATION



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111 Eagle Street  
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## Auditor's Independence Declaration to the Directors of National Storage Financial Services Limited as responsible entity of National Storage Property Trust and the entities it controlled

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

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ric Roach  
Partner  
26 February 2019

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# INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

	Notes	Consolidated Trust	
		2018 \$'000	2017 \$'000 restated
Rental revenue	2	33,945	29,030
Revenue from contracts with customers	2	213	-
Interest income		131	205
<b>Total revenue</b>		<b>34,289</b>	<b>29,235</b>
Management fees		(829)	(652)
Premises costs		(28)	(11)
Other expenses		(93)	(271)
Finance costs		(12,469)	(9,838)
Share of loss from joint venture		(36)	(2)
Fair value adjustments		4,718	48,181
Restructuring and other non-recurring costs		(117)	-
<b>Profit before income tax</b>		<b>25,435</b>	<b>66,642</b>
Income tax expense	4	(450)	(390)
<b>Profit after tax</b>		<b>24,985</b>	<b>66,252</b>
<b>Profit for the period attributable to:</b>			
Members of National Storage Property Trust		<b>24,985</b>	<b>66,252</b>
<b>Basic and diluted earnings per unit (cents)</b>	15	3.97	12.78

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

# INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Consolidated Trust	
	2018	2017
	\$'000	\$'000
<b>Profit after tax</b>	<b>24,985</b>	<b>66,252</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	391	(357)
Net loss on cash flow hedges	(4,466)	(925)
<b>Total other comprehensive (loss) / income, net of tax</b>	<b>(4,075)</b>	<b>(1,282)</b>
<b>Total comprehensive income</b>	<b>20,910</b>	<b>64,970</b>
<b>Comprehensive income for the period attributable to:</b>		
Members of National Storage Property Trust	<b>20,910</b>	<b>64,970</b>

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

# INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		NSPT Group	
		as at 31 Dec 2018	as at 30 Jun 2018
	Notes	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		624	2,655
Trade and other receivables		649	622
Assets held for sale	7	5,713	5,713
Other current assets		92	100
<b>Total current assets</b>		<b>7,078</b>	<b>9,090</b>
<b>Non-current assets</b>			
Trade and other receivables		95,517	60,816
Investment properties	5	1,527,240	1,363,461
Investment in joint venture	6	4,486	3,248
Other non-current assets	10	568	2,099
<b>Total non-current assets</b>		<b>1,627,811</b>	<b>1,429,624</b>
<b>Total Assets</b>		<b>1,634,889</b>	<b>1,438,714</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,835	4,343
Finance Lease Liability		469	-
Deferred revenue		122	168
Income tax payable		91	106
Distribution payable	13	30,082	27,396
Other liabilities	10	982	3
<b>Total current liabilities</b>		<b>34,581</b>	<b>32,016</b>
<b>Non-current liabilities</b>			
Borrowings	9	623,271	595,160
Finance lease liability		11,531	-
Income tax payable		249	-
Deferred tax liability		756	606
Other liabilities	10	6,356	4,380
<b>Total non-current liabilities</b>		<b>642,163</b>	<b>600,146</b>
<b>Total Liabilities</b>		<b>676,744</b>	<b>632,162</b>
<b>Net Assets</b>		<b>958,145</b>	<b>806,552</b>
<b>EQUITY</b>			
Contributed equity	11	764,972	604,207
Other reserves		(6,263)	(2,188)
Retained earnings		199,436	204,533
<b>Total Equity</b>		<b>958,145</b>	<b>806,552</b>

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

# INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

## Attributable to unitholders of National Storage Property Trust

	Notes	Contributed equity \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Total \$'000
<b>Balance at 1 July 2018</b>		<b>604,207</b>	<b>204,533</b>	<b>(115)</b>	<b>(2,073)</b>	<b>806,552</b>
Profit for the period		-	24,985	-	-	24,985
Other comprehensive income		-	-	391	(4,466)	(4,075)
<b>Total comprehensive income / (loss) for the period</b>		<b>-</b>	<b>24,985</b>	<b>391</b>	<b>(4,466)</b>	<b>20,910</b>
Issue of stapled units through institutional and retail placement	11	158,927	-	-	-	158,927
Issue of stapled units through distribution reinvestment plan	11	5,699	-	-	-	5,699
Costs associated with issue of units		(3,861)	-	-	-	(3,861)
Distributions provided for or paid	13	-	(30,082)	-	-	(30,082)
		<u>160,765</u>	<u>(30,082)</u>	<u>-</u>	<u>-</u>	<u>130,683</u>
<b>Balance at 31 December 2018</b>		<b>764,972</b>	<b>199,436</b>	<b>276</b>	<b>(6,539)</b>	<b>958,145</b>
<b>Balance at 1 July 2017</b>		<b>543,476</b>	<b>113,958</b>	<b>232</b>	<b>(45)</b>	<b>657,621</b>
Profit for the period		-	66,252	-	-	66,252
Other comprehensive income		-	-	(357)	(925)	(1,282)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>66,252</b>	<b>(357)</b>	<b>(925)</b>	<b>64,970</b>
Issue of stapled units through institutional and retail placement	11	44,882	-	-	-	44,882
Issue of stapled units through distribution reinvestment plan		4,400	-	-	-	4,400
Costs associated with issue of units		(1,367)	-	-	-	(1,367)
Distributions provided for or paid	13	-	(25,826)	-	-	(25,826)
		<u>47,915</u>	<u>(25,826)</u>	<u>-</u>	<u>-</u>	<u>22,089</u>
<b>Balance at 31 December 2017</b>		<b>591,391</b>	<b>154,384</b>	<b>(125)</b>	<b>(970)</b>	<b>744,680</b>

The above Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes and 30 June 2018 Financial Statements of National Storage Property Trust.

# INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Notes	NSPT Group	
		2018 \$'000	2017 \$'000
<b>Operating activities</b>			
Receipts from customers		35,564	34,392
Payments to suppliers and employees		(3,270)	(3,851)
Interest received		132	34
<b>Net cash flows from operating activities</b>		<b>32,426</b>	<b>30,575</b>
<b>Investing activities</b>			
Purchase of investment properties	5	(132,898)	(49,838)
Improvements to investment properties		(1,681)	-
Development of investment property under construction		(11,423)	(178)
Investment in joint venture		(1,274)	-
<b>Net cash flows used in investing activities</b>		<b>(147,276)</b>	<b>(50,016)</b>
<b>Financing activities</b>			
Proceeds from issue of stapled securities	11	158,927	44,882
Transaction costs on issue of stapled securities		(3,861)	(1,217)
Distributions paid to stapled security holders		(21,105)	(19,194)
Proceeds from borrowings		146,696	46,570
Repayment of borrowings		(122,100)	(48,720)
Financing provided to related party		(33,311)	-
Interest and other finance costs paid		(12,426)	(9,744)
<b>Net cash flows from financing activities</b>		<b>112,820</b>	<b>12,577</b>
Net decrease in cash and cash equivalents		(2,030)	(6,864)
Net foreign exchange difference		(1)	(325)
Cash and cash equivalents at 1 July		2,655	8,748
<b>Cash and cash equivalents at 31 December</b>		<b>624</b>	<b>1,559</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate information

The NSPT 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 the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. The Responsible Entity of the Trust must at all times act in the best interest of NSPT. The stapling arrangement will continue until either the winding up of the Company or the Trust, or either entity terminates the stapling arrangements.

The financial report of NSPT Group for the half-year ended 31 December 2018 was approved on 26 February 2019, in accordance with a resolution of the Directors of National Storage Financial Services Limited.

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

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

### Basis of preparation

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

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

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

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

### Deficiency of net current assets

As at 31 December 2018, the NSPT Group has an excess of current liabilities over current assets of \$27.5m.

At 31 December 2018, the NSPT Group has \$95.5m of related party receivables due from the NSH Group, a related party. The expectation is that these balances will not be repaid within a year so they have therefore been classified as non-current. The Group also has available funding facilities beyond a year of \$55.8m.

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 liability obligations in the ordinary course of business.

### Changes in accounting policy, accounting standards and interpretations

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the half-year financial report.

## AASB 15 Revenue from Contracts with Customers

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

The NSPT Group adopted AASB 15 using the full retrospective method of adoption. As disclosed in the 30 June 2018 financial statements, the effect of the transition on the current and comparative periods was not material.

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

The timing of revenue recognition under AASB 15 at the 31 December 2018 half-year has not been materially impacted compared to what would have been accounted for under previous revenue accounting standards and, consistent with the information disclosed at 30 June 2018, the impact at the full year is not expected to be material.

As required for the general purpose financial report information for the half-year ended 31 December 2018, the NSPT Group's revenue is disaggregated at the statement of profit or loss with the exception of Revenue from Contracts with Customers which is disaggregated below into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

### Revenue from contracts with customers

		2018 \$'000	2017 \$'000
Design and development fees	a	213	-
Total revenue from contracts with customers		<u>213</u>	<u>-</u>

### (a) Design and development fees

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

## AASB 9 Financial Instruments

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

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

The adoption of AASB 9 has changed the NSPT Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. AASB 9 requires the NSPT Group to recognise an allowance for ECLs for all debt

# NOTES TO THE FINANCIAL STATEMENTS

instruments not held at fair value through profit or loss and contract assets. The adoption of the impairment aspect of the new standard did not have a material impact on the NSPT Group.

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

## AASB 16 Leases

The NSPT Group has conducted an assessment of the impact of AASB 16 Leases, which is applicable for the Group from 1 July 2019 in relation to the Group's current commitments under operating leases. Due to the relative size of these commitments to the Group's total assets, adoption of AASB 16 is not expected to have a material impact on the Group's financial statements. The NSPT Group's leasehold investment properties will continue to be accounted for under AASB140 and will be unaffected by the application of AASB 16.

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

Several other amendments and interpretations apply for the first time in these financial statements, but do not have an impact on the consolidated financial report of the NSPT Group. The NSPT Group has not early adopted any standards.

## 3. Segment information

The NSPT Group has identified its operating segments based on the internal management information used by NSR's chief decision makers, being the Executive Directors of NSH as the chief operating decision makers of NSR.

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

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

## 4. Income tax

NSPT is a 'flow through' entity for Australian income tax purposes and has elected into the Attribution Managed Investment Trust rules from 1 July 2017, such that the determined tax components of NSPT will be taxable in the hands of unitholders on an attribution basis. NSPT's subsidiary National Storage New Zealand Property Trust ("**NSNZPT**") is an Australian registered trust which owns investment property in New Zealand. For New Zealand tax purposes NSNZPT is classed as a unit trust and is subject to New Zealand income tax at a rate of 28%. Distributions from NSNZPT to NSPT may have attached Foreign Income Tax Offsets, which when distributed by NSPT may be claimed by an Australian tax resident, depending on their personal circumstances.

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

### For the six months ended 31 December

	2018 \$'000	2017 \$'000
<b>Consolidated statement of profit or loss</b>		
Current income tax	237	197
Deferred income tax	213	193
Income tax expense	<b>450</b>	<b>390</b>
<b>Consolidated statement of other comprehensive income</b>		
<i>Deferred tax relating to items recognised in other comprehensive income during the period</i>		
Net gain / (loss) on revaluation of cash flow hedges	88	(36)
Deferred tax charged / (credited) to other comprehensive income	<b>88</b>	<b>(36)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investment properties

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>Investment properties at valuation</b>		
Investment properties	1,493,957	1,356,251
Investment property under construction	33,283	7,210
<b>Total investment properties</b>	<b>1,527,240</b>	<b>1,363,461</b>
<b>Investment properties</b>		
Opening balance at 1 July	1,356,251	1,087,048
Property acquisitions	110,380	167,930
Improvements to investment properties	1,681	-
Items reclassified from investment property under construction	5,483	2,301
Items reclassified to assets held for sale	-	(4,400)
Reassessment of lease terms	12,000	-
Net gain from fair value adjustments	4,718	106,109
Effect of movement in foreign exchange	3,444	(2,737)
<b>Closing balance at 31 December / 30 June</b>	<b>1,493,957</b>	<b>1,356,251</b>
<b>Investment property under construction at cost</b>		
Opening balance at 1 July	7,210	2,063
Property acquisitions	23,321	-
Development costs	8,235	7,448
Items reclassified to investment properties	(5,483)	(2,301)
<b>Closing balance at 31 December / 30 June</b>	<b>33,283</b>	<b>7,210</b>

In the year ended 30 June 2018, included within net gain from fair value adjustment for investment properties is a realised gain of \$0.7m relating to the divestment of an investment property.

During the period ended 31 December, the NSPT Group recognised an investment property asset and corresponding finance lease liability of \$12m relating to long term lease obligations associated with investment properties located on airport land.

## 6. Interest in joint venture

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Opening balance at 1 July	3,248	913
Capital contribution / acquisition of units in joint venture	1,274	2,363
Share of loss from joint venture	(36)	(28)
<b>Closing balance at 31 December / 30 June</b>	<b>4,486</b>	<b>3,248</b>

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

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

NSPT Group's joint venture is not listed on any public exchange.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Assets held for sale

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>Current assets</b>		
Opening balance at 1 July	5,713	5,713
Items reclassified from investment property	-	4,400
Disposals during the year	-	(4,400)
<b>Closing balance at 31 December / 30 June</b>	<b>5,713</b>	<b>5,713</b>

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

## 8. Non-financial assets fair value measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 31 December 2018</b>				
Assets held for sale	-	-	5,713	5,713
Investment properties	-	-	1,493,957	1,493,957
	-	-	<b>1,499,670</b>	<b>1,499,670</b>
<b>At 30 June 2018</b>				
Assets held for sale	-	5,713	-	5,713
Investment properties	-	-	1,356,251	1,356,251
	-	<b>5,713</b>	<b>1,356,251</b>	<b>1,361,964</b>

### Recognised fair value measurements

The NSPT Group's policy is to recognise transfers in and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the six-month period. During the period ended 31 December 2018, the Group transferred \$5.7m from level 2 to level 3 due to the expiry of the contractual agreement to sell a freehold investment property.

### Fair value measurements using significant observable inputs (level 2)

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

### Fair value measurements using significant unobservable inputs (level 3)

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

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

Fair values are determined by a combination of independent valuations and Directors' valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years unless the underlying financing requires a more frequent valuation cycle or the Directors' determine that an independent valuation is warranted. For properties subject to an independent valuation report the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Directors' valuations are completed by the NSH Group Board (a related entity). The Directors of the Responsible Entity place reliance on these valuations for the NSPT Group financial statements. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

The Group obtains the majority of its independent valuations for a proportion of the portfolio at 30 June financial year end. The Group's policy is to maintain the valuation of the investment property at

# NOTES TO THE FINANCIAL STATEMENTS

external valuation for all properties valued in the preceding year, unless there is an indication of a significant change to the property's valuation inputs.

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

	External valuation %	Internal valuation %
<b>As at 31 December 2018</b>	23%	77%
<b>As at 30 June 2018</b>	27%	73%

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

## Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs	Range at 31 December 2018	Range at 30 June 2018	
Investment properties	Capitalisation method	Capitalisation rate	Primary	6.5% to 8.3%	6.5% to 8.3%
			Secondary	6.5% to 9.5%	7.0% to 9.5%
		Sustainable occupancy		75% to 95.8%	72% to 95%
		Stabilised average EBITDA		\$917,006	\$898,767

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

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

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

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

At 31 December 2018:

Unobservable inputs		Increase/(decrease) in input	Increase/(decrease) in fair value \$'000
Capitalisation rate	Primary	1% / (1%)	(179,000) / 236,200
	Secondary	2% / (2%)	(53,800) / 86,800
Sustainable occupancy		5% / (5%)	110,400 / (103,464)
Stabilised average EBITDA		5% / (5%)	67,200 / (59,300)

# NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2018:

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

## 9. Borrowings

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>Non-current borrowings</b>		
Bank finance facility	626,898	599,098
Non-amortised borrowing costs	(3,627)	(3,938)
<b>Total non-current borrowings</b>	<b>623,271</b>	<b>595,160</b>

Drawn amounts and facility limits are as follows:

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>Bank finance facilities (AUD)</b>		
Drawn amount	515,150	519,050
Facility limit	580,000	605,000
<b>Bank finance facilities (NZD)</b>		
Drawn amount	117,450	87,500
Facility limit	146,750	121,000
<b>AUD equivalent of NZD facilities shown above</b>		
Drawn amount	111,748	83,252
Facility limit	139,625	110,696

The major terms of these agreements are as follows:

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

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

### Interest rate swaps

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

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Financial instruments fair value measurement

### Fair value hierarchy

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Contributed equity

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>Issued and paid up capital</b>		
Units	764,972	604,207
<b>Number of units on Issue</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
	<b>No. of units</b>	<b>No. of units</b>
<b>Opening balance at 1 July</b>	559,107,042	512,913,914
Institutional and retail placement	105,677,937	39,712,882
Distribution reinvestment plan	3,706,095	6,480,246
<b>Closing balance</b>	<b>668,491,074</b>	<b>559,107,042</b>

### Capital raise

During the period, NSR undertook a fully underwritten \$175.4m equity raising of which \$158.9m of equity was attributed to the NSPT Group. This resulted in the issue of 105,677,937 new units (year ended 30 June 2018: \$59.5m equity raised from the issue of 39,712,882 units, of which \$53.6m was attributed to the NSPT Group).

### Distribution reinvestment plan

During the period, 3,706,095 units were issued to unit holders participating in NSR's DRP for consideration of \$6.3m of which \$5.7m of equity was attributed to the NSPT Group (year ended 30 June 2018: 6,480,246 units issued under the DRP for consideration of \$9.6m, of which \$8.7m was attributed to the NSPT Group).

### Terms and conditions of contributed equity

#### Stapled securities

One unit in NSPT is stapled to one share in NSH to form a stapled security of NSR. 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Related party transactions

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

Transaction with related parties		Revenue	Purchases	Amount	Amount
		from related parties	from related parties	owed by related parties	owed to related parties
		\$	\$	\$	\$
National Storage Holdings Limited	Current period	-	-	89,408,869	-
	Comparative period	-	-	53,872,664	-
National Storage (Operations) Pty Ltd	Current period	23,192,423	120,000	-	-
	Comparative period	18,975,926	90,000	-	-
Southern Cross Storage Operations Pty Ltd	Current period	7,064,500	-	-	-
	Comparative period	6,907,000	-	-	-
National Storage Financial Services Limited	Current period	-	709,295	-	537,747
	Comparative period	-	567,688	-	-
National Storage Limited	Current period	2,687,121	-	6,085,522	-
	Comparative period	2,135,201	-	6,943,525	-

All outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the periods ended 31 December 2018 and 30 June 2018, the NSPT Group has not recorded any impairment of receivables relating to amounts owed by related parties.

## 13. Distributions paid and proposed

### Unit distributions

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

## 14. Commitments and contingencies

### Capital commitments

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

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

As at 31 December 2018, the NSPT Group held a commitment with a third party, to supply and install solar panels and energy efficient light-emitting diode lighting on a significant number of investment properties for an estimated total cost of \$8.8m. As at 31 December 2018, the NSPT Group had incurred project costs of \$2m which have been classified as investment property under construction (see note 5). The NSPT Group is committed to additional expenditure of \$6.8m, to be paid on agreed milestones subject to the completion of the project.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Earnings per stapled security

	31 Dec 2018 cents	31 Dec 2017 cents (adjusted)
Basic and diluted earnings per unit	3.97	12.78

### Reconciliation of earnings used in calculating earnings per unit

<i>Basic and diluted earnings per unit</i>	\$'000	\$'000
Net profit attributable to members	24,985	66,252
Weighted average number of units for basic and diluted earnings per unit	<b>No. of units</b> 628,838,159	<b>No. of units</b> 518,343,700

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

## 16. Events after reporting period

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

# DIRECTORS' DECLARATION

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

In the opinion of the Responsible Entity:

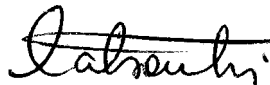
- (a) the financial statements and notes of the NSPT Group for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the NSPT Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
  - b. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) with reference to Note 2 in the financial statements, there are reasonable grounds to believe that the NSPT Group will be able to pay its debts as and when they become due and payable.

On behalf of the Responsible Entity,



Laurence Brindle  
Director

26 February 2019  
Brisbane



Andrew Catsoulis  
Director

# INDEPENDENT AUDITOR'S REVIEW REPORT



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To the members of National Storage Property Trust

## Report on the Half-Year Financial Report

### Conclusion

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

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

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

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

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# INDEPENDENT AUDITOR'S REVIEW REPORT



## Independence

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

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Ric Roach' in a cursive style.

Ric Roach  
Partner  
Brisbane  
26 February 2019

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