NATIONAL STORAGE

ANNUAL REPORT 2014/2015

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IMPORTANT INFORMATION

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

Responsible Entity of NSPT

The Trust Company (RE Services) Limited (“The Responsible Entity”)
ACN 003 278 831 AFSL 235 150
Level 15, 20 Bond Street, Sydney NSW 2000

DISCLAIMER

This is the Annual Report for National Storage REIT which comprises the combined assets and operations of National Storage Holdings Limited (ACN 166 572 845) (“**NSH**”) and the National Storage Property Trust (ARSN 101 227 712) (“**NSPT**”). This report has been prepared by NSH and The Trust Company (RE Services) Limited (ACN 003 278 831) (“**Trust Co**”) as responsible entity for NSPT. National Storage REIT (ASX: NSR) currently has stapled securities on issue on the Australian Securities Exchange (“**ASX**”) each comprising one unit in NSPT and one ordinary share in NSH (“**Stapled Securities**”).

The information contained in this report should not be taken as financial product advice and has been prepared as general information only without consideration of your particular investment objectives, financial circumstances or particular needs. This report is not an invitation, offer or recommendation (express or implied) to apply for or purchase or take any other action in respect of Stapled Securities.

This report contains forward-looking statements and forecasts, including statements regarding future earnings and distributions. These forward-looking statements and forecasts are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NSH and/or Trust Co, and which may cause actual results or performance to differ materially from those expressed or implied by the forward-looking statements and forecasts contained in this report.

No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward-looking statements and forecasts may be based are reasonable.

These forward-looking statements and forecasts are based on information available to NSH and/or Trust Co as of the date of this report. Except as required by law or regulation (including the ASX Listing Rules) each of NSH and Trust Co undertake no obligation to update or revise these forward-looking statements or forecasts.

Certain financial information in this report is prepared on a different basis to the Financial Report, which is prepared in accordance with Australian Accounting Standards. Any additional financial information in this report which is not included in the Financial Report was not subject to independent audit or review by Ernst & Young.

OVERVIEW

National Storage is one of Australia's largest self-storage providers, tailoring self-storage solutions to over 30,000 residential and commercial customers at 82 centres across the country.

In August 2015, National Storage entered the New Zealand market with the acquisition of five centres in Christchurch, expanding the portfolio internationally and creating a platform for future growth in New Zealand.

National Storage owns, manages or operates 87 storage centres across Australia and New Zealand.

HIGHLIGHTS

22%
gearing as at 30 June 2015

Underlying earnings for FY15
$24.3 million
(8.2 cents per stapled security)

Net Tangible Assets per stapled security at 30 June 2015
$1.11

A-IFRS profit after tax for FY15
$48.7m

21
acquisitions transacted

↑44%
101,000 sqm
of additional net lettable area

↑25%
10,000
additional storage units

87 centres
under management and operation

$521million
NSR portfolio valuation

Total net lettable area of
460,000 sqm

7% increase
in rate per sqm occupied in FY15 from $275 per sqm to $293 per sqm across total portfolio (excluding developing centres)

Over
30,000
customers

↑2%
increase in portfolio occupancy up to
72%
(excluding developing centres)

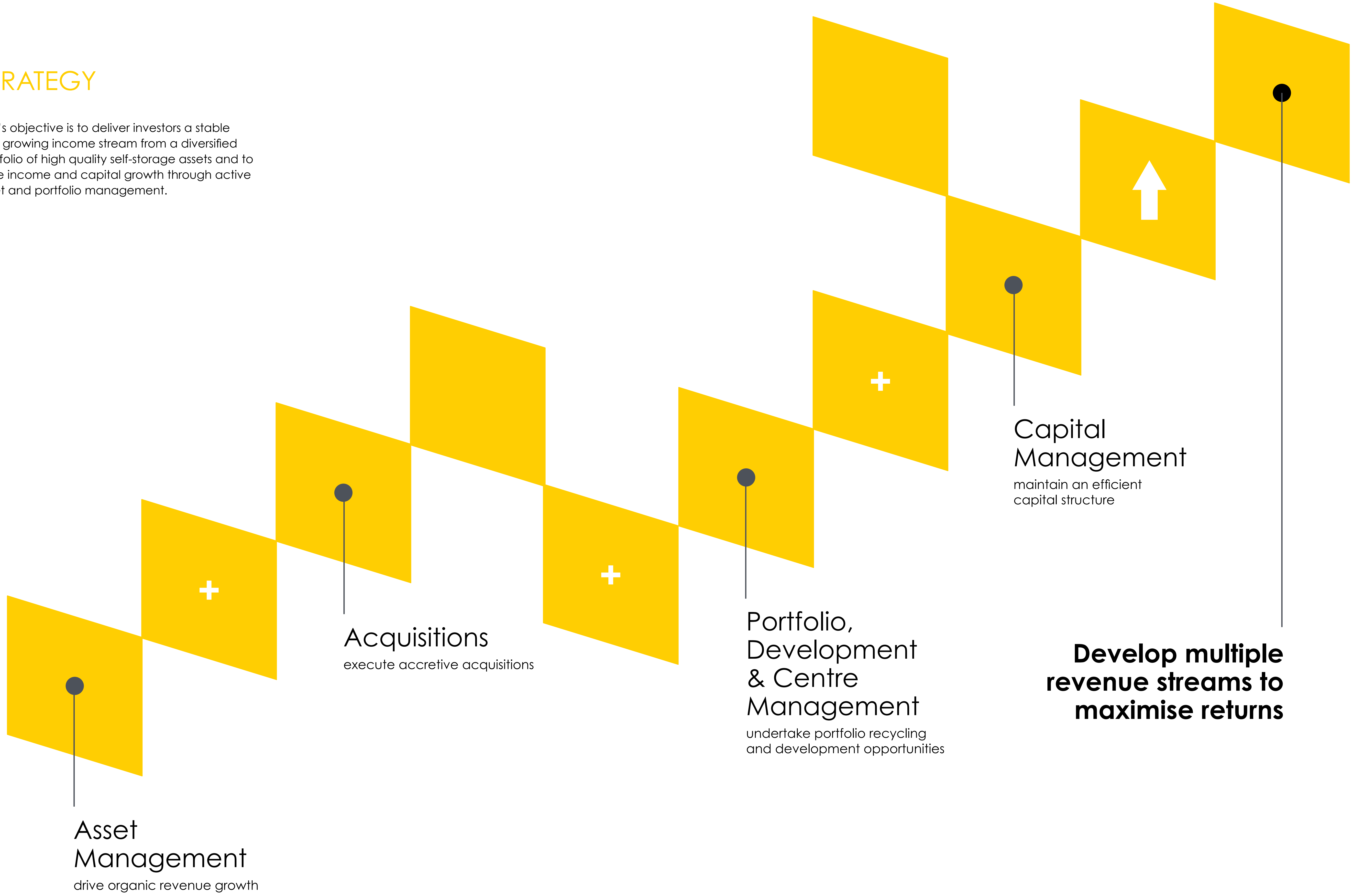
51,000
storage units

↑35%
increase in total assets under management to $740 million

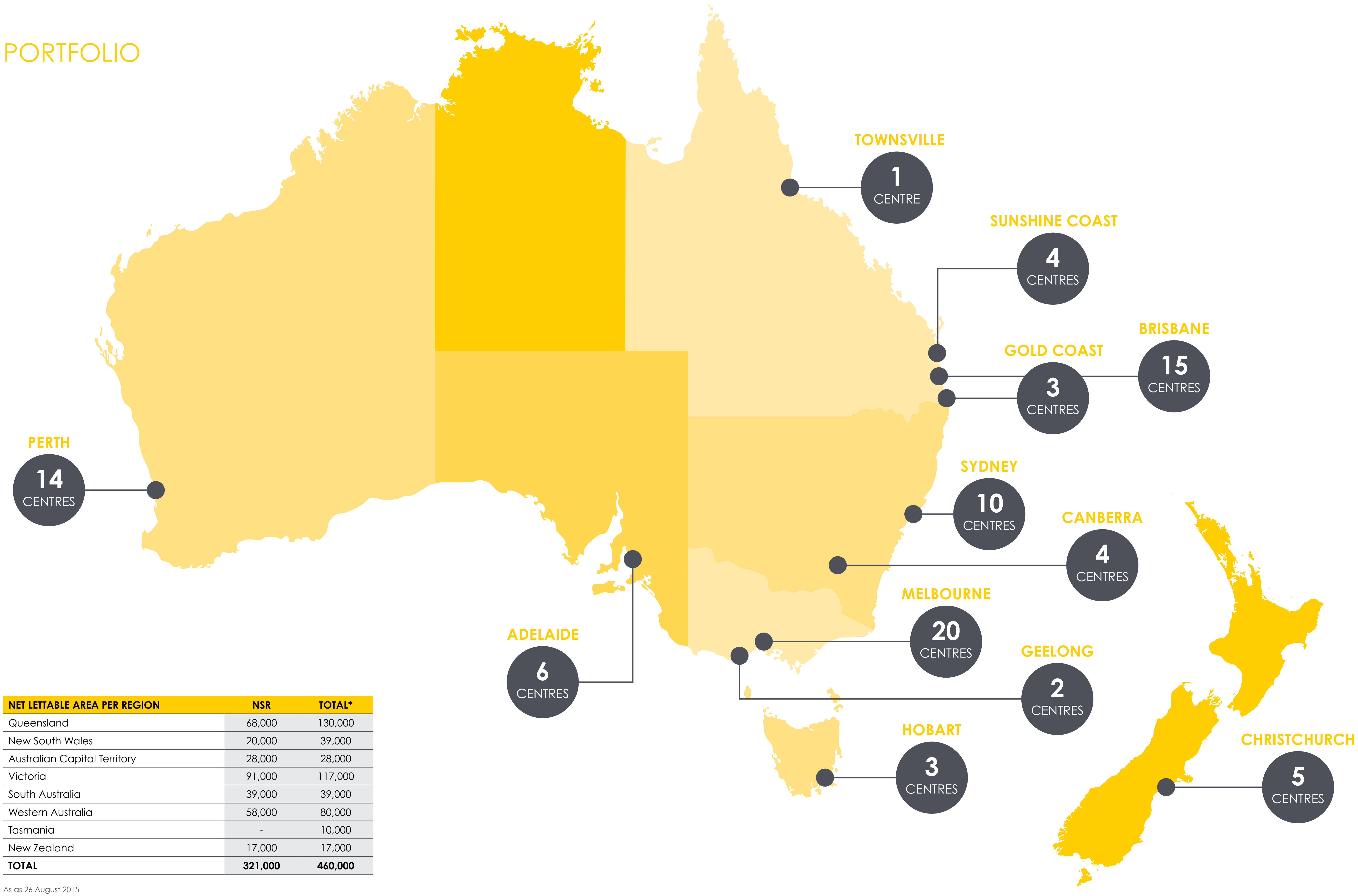
At 26 August 2015 unless otherwise noted.

STRATEGY

NSR's objective is to deliver investors a stable and growing income stream from a diversified portfolio of high quality self-storage assets and to drive income and capital growth through active asset and portfolio management.



PORTFOLIO

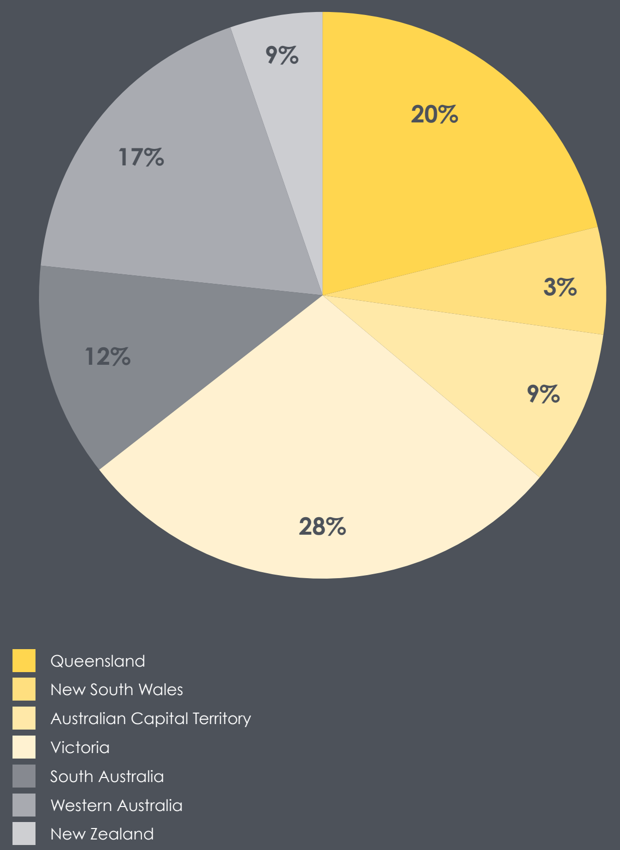


NET LETTABLE AREA PER REGION	NSR	TOTAL*
Queensland	68,000	130,000
New South Wales	20,000	39,000
Australian Capital Territory	28,000	28,000
Victoria	91,000	117,000
South Australia	39,000	39,000
Western Australia	58,000	80,000
Tasmania	-	10,000
New Zealand	17,000	17,000
TOTAL	**321,000**	**460,000**

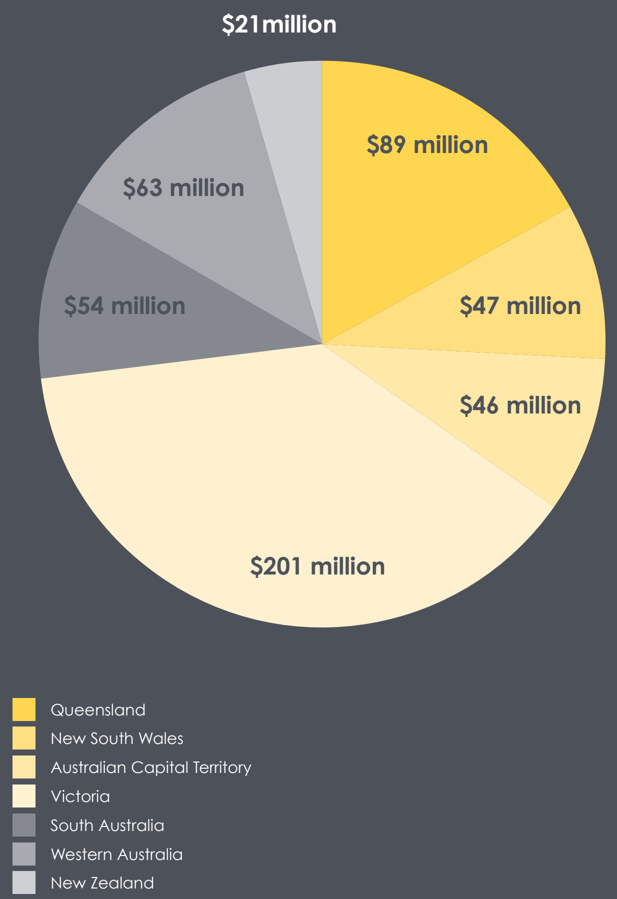
As as 26 August 2015
*Total including managed centres and Southern Cross

PORTFOLIO STATISTICS

NSR PORTFOLIO DIVERSIFICATION



NSR PORTFOLIO BY VALUATION



OVERALL ASSET CLASSIFICATION	CENTRES
Original IPO Portfolio	62
Acquired	22
Developing	3
TOTAL	**87**

TOTAL PORTFOLIO COMPOSITION	CENTRES
NSR Freehold	47
NSR Leasehold	12
Southern Cross	26
Managed	2
TOTAL	**87**

CHAIRMAN'S REPORT

"The Board is confident National Storage is well positioned to continue the success of the past year."

On behalf of the Board I am pleased to present the National Storage REIT 2015 Annual Report.

FY15 has seen continued focus on our strategy of driving income growth through intensive asset management and by leveraging the capacity of our operating platform through selective asset acquisitions and development.

In a year of challenges and opportunities, we have successfully executed this strategy to deliver a 39% increase in total revenue to $63.7 million, producing underlying earnings of $24.3 million, in line with guidance.

These results build upon the progress our portfolio has made since listing in December 2013, growing from 62 to 87 centres and placing NSR at the forefront of industry consolidation in the Australian self-storage market.

Our focus on asset management has seen rental rates per sqm increase by 7% this year. Our acquisition programme has seen the successful addition of 21 new centres to the portfolio, including our strategic move into the New Zealand self-storage market. These achievements have established a strong foundation for the future growth of NSR.

We continue our disciplined approach to capital management, with conservative gearing targets and a strong balance sheet. A new debt facility arrangement that delivered savings in interest costs and reduced refinancing risk was implemented during the year. With the support of our securityholders, we successfully raised over $115 million via institutional placements and a security purchase plan which replenished the balance sheet and supported our business strategy.

In 2014 we welcomed two new Directors to the Board, Steven Leigh and Howard Brenchley, who bring a breadth of experience in property and funds management. We also welcomed our new Chief Financial Officer, Stuart Owen to the senior executive team. The Board and senior executive team continue to work closely to formulate strategy and act on opportunities which we identify in the marketplace.

It has been pleasing to see the institutional investor market take an increasingly active interest in self-storage as an asset class. The investment proposition offered by NSR as an integrated property trust and operating business in the self-storage sector is unique and has generated much interest from investors.

In what has been a period of firsts for National Storage, NSR's promotion into the S&P/ASX 200 is another milestone that recognises the achievements of our team and sets the tone for the year ahead. The Board is confident National Storage is well positioned to continue the success of the past year.

I would like to thank the Board, senior executive and all staff for their energy, dedication and commitment to achieving our vision and delivering on our strategy of creating multiple revenue streams to deliver stable and growing returns for our securityholders.

Yours sincerely

Laurence Brindle
Chairman

MANAGING DIRECTOR'S REPORT

Dear Investors

FY15 was a busy year for National Storage REIT.

We have created value for our shareholders, delivering a total shareholder return of 39%, underlying earnings of $24.3 million and earnings of 8.2 cents per stapled security in line with guidance.

In FY15 we have transacted 21 acquisitions totalling over $189 million in value, adding over 101,000 sqm of net lettable area to our portfolio. We have successfully expanded our business into new markets, including Canberra and New Zealand, and grown our presence in key markets such as Melbourne, Sydney and Perth.

We have centred our business strategies on enhancing shareholder value, with a strong focus on:

OPTIMISING INDIVIDUAL CENTRE PERFORMANCE

We continue to improve the National Storage Management platform and practice proactive asset management across our portfolio. Our call centre, on-site centre management and head office teams have access to sophisticated software for operations and yield management which enable us to manage rates across individual unit sizes and locations in real time. This helps us tailor storage solutions specific to each customer, which improves our conversion rates and allows us to drive rate and/or occupancy in line with individual centre performance.

ACCRETIVE ACQUISITIONS IN KEY LOCATIONS

We have continued the implementation of our industry consolidation strategy in key markets around Australia. This has resulted in a number of successful portfolio and single centre acquisitions which have been acquired on terms accretive to EPS and which are designed to enhance long term shareholder value. We continue to uphold our reputation as a respected counterparty and we consider this has helped create a long term acquisition pipeline.

We will, of course, remain a buyer which seeks opportunities to value add to acquisitions, identifying opportunities for growth in underlying rate per square metre and via expansion of net lettable area or reconfiguration of unit sizing. This will serve to continue to improve our portfolio metrics and increase long term shareholder value.

EXPANDING ANCILLARY REVENUE STREAMS

Developing multiple revenue streams has been a key focus for us over the past year. One of our primary projects for FY15 has been the development of our management business for third party owned centres. This platform enables us to expand our geographic coverage, lowers our operating costs per centre and provides an important future pipeline of potential acquisitions. FY15 has also seen us partner with companies including Parcelpoint and U-Haul to generate new revenue streams from the utilisation of National Storage centres as locations for third-party business expansion.

DRIVING PORTFOLIO DEVELOPMENT

The later part of FY15 and into FY16 has seen us focused on a number of development activities with key partners in local markets. These partnerships allows us to further expand our footprint with the greenfield development of state-of-the-art storage centres in prime locations. The provision of site identification, design, development, project management and post construction management services will generate additional revenue. These developments also provide an important long term potential acquisition pipeline of high quality, institutional grade assets.

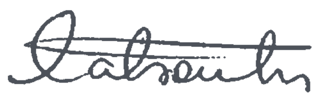
STRENGTHENING OUR BRAND AND CULTURE

Our staff embody our core values of teamwork, care and excellence and it is these values together with our focus on customer service that deliver results for our business, and for shareholders. We are proud that our customers have given National Storage an average rating of 4.8/5 in independent online reviews and that a significant proportion of our customers find us through referrals or are returning to us based on previous experience. This offline success complements our digital marketing strategy which is playing a greater role in our business year-on-year as we continue to challenge our competitors in the online space.

The storage industry in Australia remains highly competitive, and external factors including macroeconomic conditions, localised competition, discounting and seasonal fluctuations have potential to impact on the performance of our centres. Our operating results will be dependent upon our ability to balance periodic increases in our overall rate per square metre with our ability to manage occupancy to drive overall performance. By proactively responding to changes in local business conditions through our dynamic pricing model, together with our call centre sales team and our online platforms, we will continue to strive to maximise the performance of our centres.

National Storage has grown significantly over the last year but we have remained true to our core values. We are fortunate to have an exceptional team of highly committed and passionate individuals who endeavour to build on the legacy of family company values which lie at the heart of our company. These values encourage and reward a high degree of accountability and ownership, which we consider to be an important factor in delivering results into the future.

Yours sincerely



Andrew Catsoulis
Managing Director

INVESTMENT PARTNERS

SOUTHERN CROSS PORTFOLIO

The Southern Cross Storage Group (Southern Cross) is an unlisted investment fund established in September 2011 via a joint venture between National Storage and Heitman, a global real estate investment manager.

Funds managed by Heitman own 90% of the equity interest in Southern Cross. NSR holds a 10% interest in Southern Cross with returns to NSR based on the performance of the fund.

NSR has certain rights to purchase Southern Cross assets upon termination of the fund or earlier sale.

The portfolio comprises 26 assets around Australia.

PERTH DEVELOPMENT PORTFOLIO

The Perth Development Portfolio is a construction and management arrangement with one of Perth's leading self-storage construction companies, Parsons Group. Importantly, this venture reinforces the National Storage brand as a prominent player in the Perth market.

Five sites in and around Perth have been identified as part of the arrangement, whereby Parsons Group will construct quality self storage centres to be branded National Storage.

The arrangement will see some centres acquired by NSR on completion and others managed by Parsons Group under the guidelines of the National Storage operating platform.

The first centre at Jandakot will be a managed centre and is scheduled for completion in September 2015. NSR will retain certain rights to purchase the assets under this arrangement.

AUSTRALIAN PRIME STORAGE FUND

NSR is a cornerstone investor in the Australian Prime Storage Fund (APSF) with an equity interest of up to 25%. APSF has been established to facilitate the development and ownership of premium self-storage centres in select capital cities around Australia.

APSF will focus its activity in inner city markets where there is demand for a premium storage product, developing new institutional grade assets with state-of-the-art facilities and freehold tenure. The strategy underpins APSF's mandate to maximise absolute investment returns over the investment term. NSR's involvement will serve to grow market share for the National Storage brand.

NSR will provide assistance and advice to the Fund on a range of matters including site identification, selection and acquisition, feasibility and input into design and development. The assets will be integrated onto the National Storage operating platform and managed as part of the National Storage portfolio.

It is anticipated the Fund will develop up to $100 million of assets with project construction scheduled to commence later this year. NSR will hold certain rights to purchase the assets upon termination of the Fund, or earlier sale.

THE YEAR IN REVIEW

ASSET MANAGEMENT & BUSINESS OPERATIONS

NSR delivered an A-IFRS profit after tax for FY15 of $48.7 million, representing earnings per security of 16.56 cents.

Underlying earnings, after adjusting (excluding) movements in the fair value of assets and other one-off items, was $24.3 million or 8.2 cents per security.

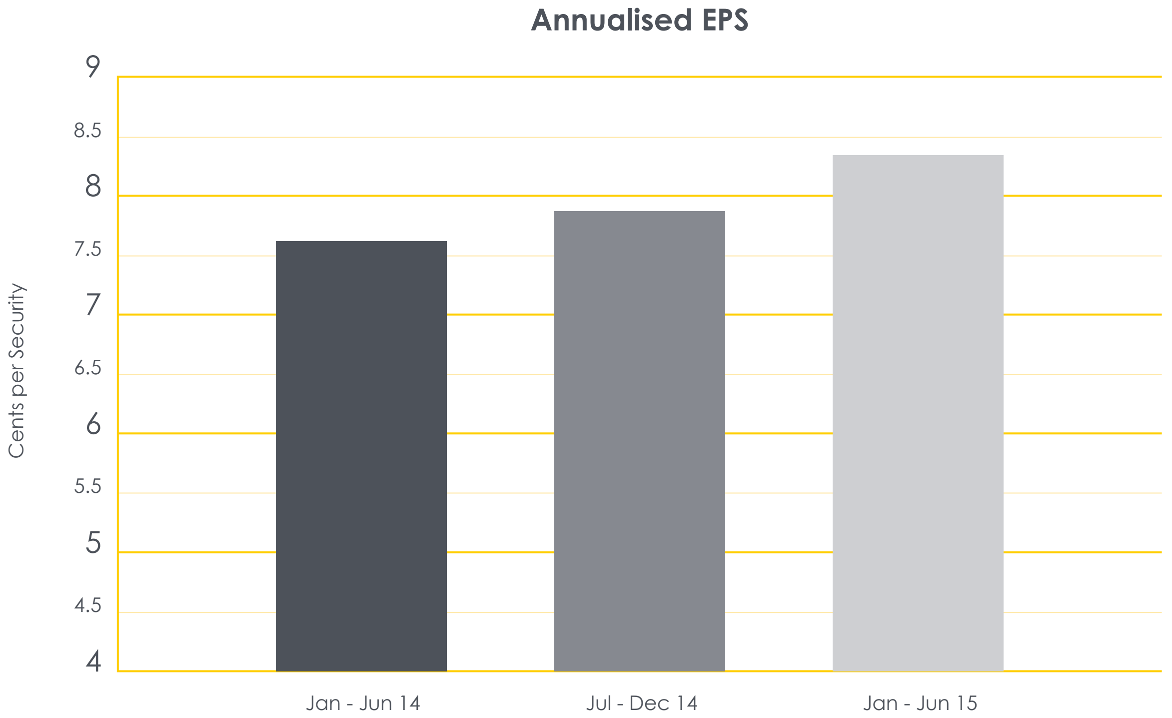
Distributions totalling of 8.2 cents were declared and paid for the period, in line with guidance. Total revenue increased by 39% for FY15 to $63.7 million and Net Tangible Assets per security increased from $0.94 to $1.11 during FY15.

The rate per square metre achieved across the original IPO portfolio has increased by 3% from $275 per sqm at 30 June 2014 to $282 per sqm at 30 June 2015 (excluding all developing centres and post IPO acquisitions). The overall rate per square metre achieved for the group (excluding developing centres but including all post IPO acquisitions) increased by 7% from $275 per sqm to $293 per sqm over the same period.

Occupancy in the the total portfolio (excluding developing centres) grew from 70% to 72% over the year. Occupancy in the original IPO portfolio was steady at 71% as management continued its focus on driving total revenue.

Trading conditions were mixed and challenging overall, with weak business and consumer confidence and a high level of discounting prevalent across the industry. The Operations Management Team continues to manage rate per square metre growth against occupancy growth across the portfolio to optimise revenues and profitability. The trading metrics stated above demonstrate that despite the challenging conditions, real rental growth has been achieved on a like-for-like basis across the portfolio.

Ancillary income streams including packaging and insurance continue to deliver additional revenues across the portfolio, with packaging sales up 38% for the period to $1.6 million and total ancillary income rising to $3.9 million.

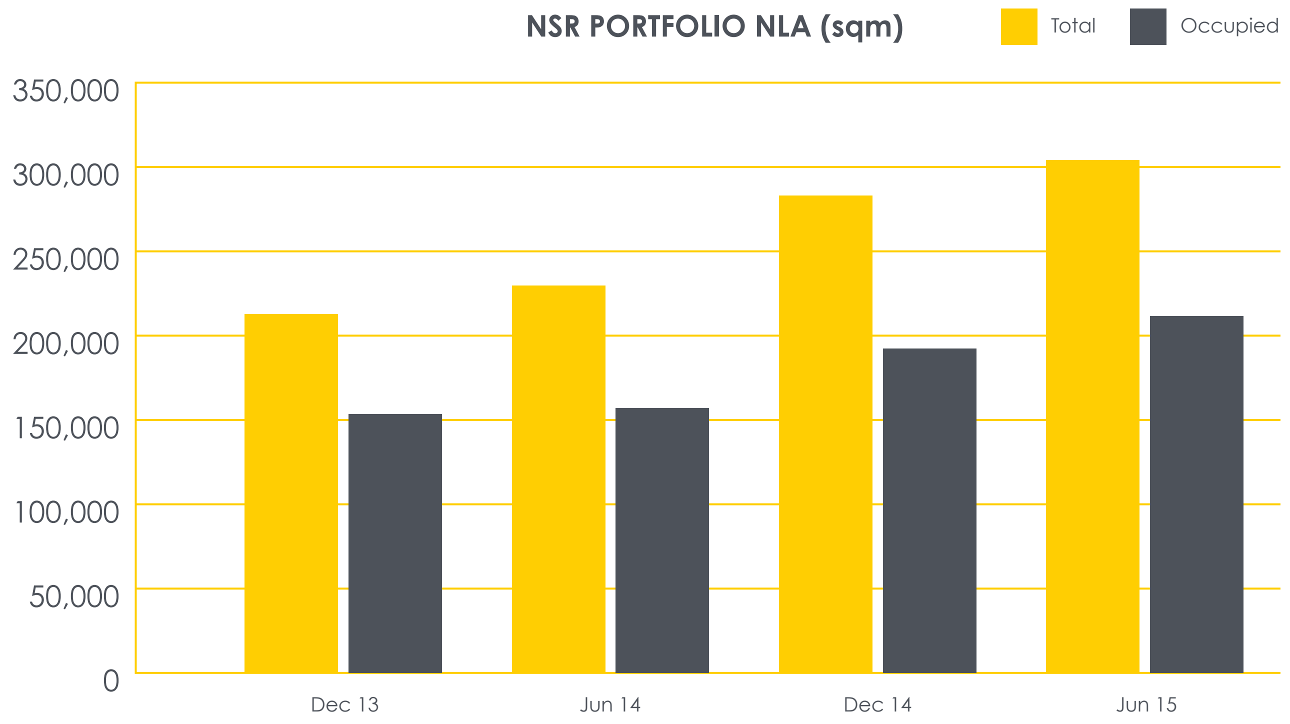


ACQUISITIONS

The Australian self-storage industry remains highly fragmented with approximately 75% of centres owned by small independent operators. National Storage has successfully completed, and continues to seek, accretive acquisition opportunities within the industry with a clear focus on acquiring strategic quality assets that deliver reliable yields. The ability to acquire and integrate strategic accretive acquisitions is one of National Storage's major competitive advantages and a cornerstone of its growth strategy.

During FY15, 21 acquisitions were transacted totalling $189 million and expanding the portfolio by 101,000 sqm (or 44%). The details of FY15 acquisitions follow:

CENTRE	STATE	DATE	PURCHASE PRICE
Mulgrave	Victoria	July 2014	**$7.0m**
Moorabbin	Victoria	July 2014	**$8.2m**
Wangara	Western Australia	July 2014	**$10.9m**
Port Adelaide	South Australia	July 2014	**$5.2m**
Hume, Phillip, Mitchell & Queanbeyan	ACT/NSW	October 2014	**$46.5m**
Forrestdale	Western Australia	November 2014	**$11.0m**
O'Connor	Western Australia	November 2014	**$8.0m**
Richmond, Hawthorn, South Melbourne & Glen Iris	Victoria	January 2015	**$48.8m**
Dandenong South	Victoria	January 2015	**$15.2m**
Dee Why	New South Wales	February/June 2015	**$7.2m**
Belfast, Opawa, Ferrymead, Hornby & Redwood	Christchurch (NZ)	August 2015	**$20.9m**



Excluding NZ assets which settled in August 2015.

MARKETING & CUSTOMER EXPERIENCE

The pace of change continues to accelerate across our marketing landscape. In the past twelve months unique visits to the National Storage website have increased over 30%, a sign the shift to digital is continuing and that storage customers are ready and willing to engage online. Strategies to generate online sales including the development of a new online booking system have simplified the sales process while still producing a tailored storage solution to customers. Online conversions have increased by 6% since June 2014 and search engine marketing and search engine optimisation continue to be a major focus with the visibility of the National Storage brand demonstrating 21% growth year-on-year. New online advertising strategies are generating brand awareness, with over 26 million impressions of the National Storage brand delivered in FY15.

A focus on innovation for 2015/16 will see new strategies deliver improvements in customer experience, digital platforms and high level brand awareness across multiple mediums and markets.

WINE ARK

Wine Ark, Australia's largest provider of storage for fine wine, houses over two million bottles across 16 centres for clients located in over forty countries. There are few other businesses in Australia with more experience when it comes to storing and managing premium wine. The Wine Ark business continued to increase revenues across FY15 and delivered a 17% increase in new wine sales. Wine Ark is embarking on a new phase of growth into FY16 with a focus on expanding key markets and developing multiple income streams.

PORTFOLIO MANAGEMENT, DEVELOPMENT MANAGEMENT & CENTRE MANAGEMENT

National Storage launched its centre management platform in August 2014 as a means of diversifying storage income streams, expanding market coverage and reducing operational unit costs.

National Storage has entered into a number of agreements with investment partners that will see National Storage managing up to thirteen additional centres progressively over the next two to three years.

National Storage remains actively engaged in portfolio recycling and development activities. In FY15, development income was generated from the O'Connor (Kardinya) transaction and the portfolio recycling opportunity underway at Brooklyn. A number of portfolio recycling opportunities, particularly in Victoria, continue to be progressed.

The APSF and the Perth Development Portfolio will provide positive exposure to development activities with additional revenue generated through various service and management fees anticipated in FY16.

CAPITAL MANAGEMENT

Throughout FY15 all financial covenants were in compliance, with a gearing ratio of 22% and an interest cover ratio of 5.6 times at 30 June 2015. At August 2015, the facility limit of $200 million was drawn to $123.5 million with a remaining limit of $76.5 million.

A total of 89,559,313 stapled securities were issued as part of two institutional placements, a security purchase plan and private placement (as part consideration for acquisitions) in FY15. Each capital raising initiative was well received by the market and provided $121 million to replenish the balance sheet and provide capacity to execute NSR's ongoing acquisition strategy.

Distributions totalling 8.2 cents were paid to investors in FY15, representing a 100% payout ratio and in line with guidance.

During July 2015 a New Zealand denominated (NZ$) facility for NZ$25 million was entered into to facilitate the recently announced Christchurch acquisitions. This NZ$ loan provides a natural hedge to the acquisition costs of the New Zealand assets with only nominal translation risk.

SUSTAINABILITY

Human Capital

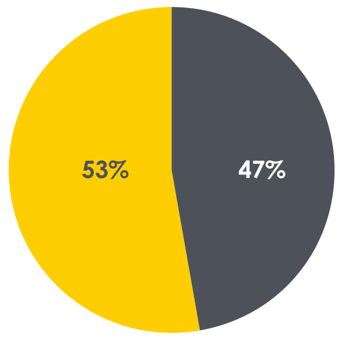
The growth of the National Storage business has seen an additional 120 people join National Storage in FY15.

Diversity and inclusion continue to be key aspects of staff engagement at National Storage, with a focus on improving female representation in management roles and being an equal opportunity employer. The National Storage workforce is evenly split, with 140 males and 143 females.

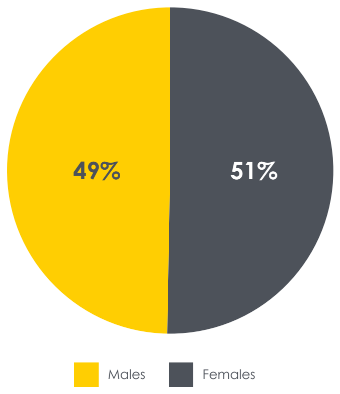
The National Standard, a reward and recognition program for National Storage staff was launched in August 2015. The program will progressively roll out over 2015/2016 together with an upgraded intranet to facilitate staff engagement and communication across a geographically diverse business.

NATIONAL STORAGE GENDER DIVERSITY

MANAGERS



ALL STAFF



Corporate Social Responsibility

National Storage is committed to building a sustainable business and minimising its environmental footprint.

The NS Energy Efficiency Project is underway with works progressed in priority centres, where lighting is being transitioned to LED. The possibility of retrofitting solar to some centres is also under investigation. However, the portfolio overall remains a relatively low user of utilities.

In FY15 National Storage, through the box buy-back program, recycled over 12,000 branded boxes. Recycling continues to be a major focus for centres with every centre equipped with large paper and cardboard bins.

Each National Storage centre plays an active role in its local community and the broader business is committed to maintaining socially responsible business practices.

Local community engagement programs see National Storage centres and staff provide support, resources or storage to local clubs, not-for-profit groups and community groups where appropriate.




BOARD OF NSH DIRECTORS

Laurence Brindle

Independent Non-executive Chairman
BCom, BE (Hons), MBA

Laurence has extensive experience in funds management, finance and investment. Until 2009 he was an executive with Queensland Investment Corporation (QIC). During his twenty-one years with QIC he served in various senior positions including Head of Global Real Estate where he was responsible for a portfolio of $9 billion. Laurence was also a long term member of QIC's Investment Strategy Committee. He provides advice to a number of investment institutions on real estate investment and funds management matters. Laurence holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland, and a Master of Business Administration from Cass Business School, London. He is a former Chairman of the Shopping Centre Council of Australia and a former director of Westfield Retail Trust and Scentre Group.

Laurence serves on the NSR Audit and Risk Committees and is Chairman of the Nomination and Remuneration Committees.

Anthony Keane

Independent Non-executive Director
BSc(Maths), Grad Dip Corp Fin

Anthony is an experienced finance and business executive with over 30 years background in corporate, institutional, business and retail banking. Prior to accepting his directorship with the Company, Anthony was most recently Head of Corporate Banking Queensland for National Australia Bank and was responsible for the bank's relationships with large privately owned and public listed companies across a broad range of industries including manufacturing, retail, wholesale, property, professional services, technology, leisure and tourism, transport, mining and associated services. Anthony has a Bachelor of Science (Mathematics) from University of Adelaide and a Graduate Diploma in Corporate Finance from Swinburne. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors and a fellow of the CEO Institute. He is a Director of Queensland Symphony Orchestra Pty Ltd.

Anthony acts as Chairman of the Audit and Risk Committees and is a member of the Nomination and Remuneration Committees.

Howard Brenchley

Independent Non-executive Director
BEc

Howard has nearly 30 years' involvement in the Australian property industry, as an analyst, investor and fund manager. Howard co-founded Property Investment Research Pty Ltd (PIR) in 1989 which during the 1990s was considered a leading researcher of both listed and unlisted property funds

In 1998 Howard was responsible for the establishment of APN Funds Management Limited, part of the APN Property Group Limited. During this period he was responsible for the establishment and operations of a number of funds investing both directly and indirectly in real estate.

Howard is currently a non-executive director of the ASX-listed APN Property Group Limited (APD) and is also a non-executive director of APN Funds Management Limited, responsible entity for Generation Healthcare REIT and Industria REIT. He is also a member of the Board of Advisors of the Property Industry Foundation (Victoria).

Howard is a member of the Audit and Risk Committees.

Steven Leigh

Independent Non-executive Director
Cert Practising Valuer, Grad Dip Proj Mgmt

Steven Leigh joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and or created through development a portfolio of high quality retail and commercial assets in Australia, USA and the UK. Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments.

After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director QIC Global Real Estate in 2012 where he is responsible for the group's $12bn plus property portfolio. Steven is a certified practising valuer and holds a Graduate Diploma in Project Management from the Queensland University of Technology. Steven is an associate member of the Australian Property Institute.

Steven is a member of the Remuneration and Nomination Committees.

Andrew Catsoulis

Managing Director
BA, LLB, Grad Dip Project Mgmt (Hons)

Andrew is a qualified lawyer who has been admitted to the Supreme Court of Queensland and the Federal Court of Australia. He has had extensive experience in the fields of finance, commercial and property law during his tenure at major law firms both in Australia and overseas. He is also a qualified project manager and has considerable property development experience both within the storage industry and in broader markets. A founder of the original National Storage business, he has over 18 years of specific self-storage industry expertise including in the areas of acquisition, development, integration and operation of 'greenfield' and developed self-storage centres. Andrew was instrumental in the successful acquisition and integration of the original portfolio and led the company through the IPO.

The Board of Directors of The Trust Company (RE Services) Limited are detailed on page 43.




SENIOR EXECUTIVES

Andrew Catsoulis

Managing Director
LLB, Grad Dip Project Mgmt
See page 28.

Peter Greer

Chief Operating Officer

Peter gained his experience over 15 years in the finance industry with one of Australia's largest banking organisations. He developed extensive experience in relation to the self-storage industry, specifically in the financing, operations and development of self-storage centres. Peter then transferred these skills and has exclusively worked in the self-storage industry for the last 15 years with a focus on operations, human resource management, strategic business planning and day-to-day operational management. He was one of the founding shareholders of National Storage and has worked side by side with Andrew to grow the National Storage business. Peter is a former board member of the Self Storage Association of Australia (SSAA), including a term as the President of this body and a regular speaker at the national SSAA conference.

Stuart Owen

Chief Financial Officer
BBus, CPA, GAICD

Stuart joined National Storage in late 2014, with extensive experience in the energy sector in coal and gas fired power generation. He has held wide ranging finance and commercial management roles, including as Commercial Manager for Energy Developments Limited. Prior to this, Stuart was commercial manager on the delivery of a multi-site gas fired power generation project and micro LNG plant.

He has significant experience in project financing, mergers and acquisitions and project development. Stuart holds a Bachelor of Business, is a Certified Practising Accountant and is a graduate of the Australian Institute of Company Directors.

Patrick Rogers

Company Secretary and General Counsel
LLB, BBus – Accty

Patrick holds both legal and accounting qualifications and is admitted as a solicitor of the Supreme Court of Queensland. He has practiced as a solicitor for over 15 years in both fields. During his time in private practice, Patrick has had significant experience in corporate, property, commercial, taxation and transactional work. In addition to private practice, Patrick was the general counsel and company secretary of the Super A-Mart Group for over eight years, (including holding the role of CFO for a time) where he was a part of the senior management team and had extensive involvement in the operations of the company.

Makala Ffrench Castelli

Marketing and Corporate Affairs Manager
BBus, Grad Dip Arts

Makala has over nine years' experience in corporate communications, investor relations and marketing communications. She has worked with leading companies in the place management, property and finance industries, including one of Australia's major investment banks. Makala is responsible for the strategic development and implementation of retail marketing, corporate affairs and investor relations at National Storage. She holds a Bachelor of Business (Marketing/E-Business) from Queensland University of Technology and a Graduate Diploma in Arts from University of Adelaide.

CORPORATE GOVERNANCE

NSH and The Responsible Entity have their own respective Boards and constitutions. The relationship between NSH and the Responsible Entity is governed by a Cooperation Deed and Management Agreement that facilitate common processes and governance for NSR. Pursuant to the NSR Board Charter, it is the function of the NSH Board to provide overall strategic guidance and effective oversight of management of NSR.

GOVERNANCE FRAMEWORK

The NSH and Responsible Entity Boards and NSH management are committed to achieving and demonstrating to Securityholders high standards of corporate governance and to ensure NSH acts in the best interests of its Securityholders balanced with its broader community obligations. To achieve this, the NSH Board has created a framework for managing National Storage Group including internal controls and a business risk management process. The governance system is reviewed during each year by the Company Secretary and the Board to ensure that it reflects changes in the law.

The NSH Board's obligations are discharged through a number of mechanisms including meetings and its committees. During the financial year ended 30 June 2015, the NSH Board has convened the following committees as part of its corporate governance framework:

COMMITTEE	CHAIR	MEMBERS
Audit	Anthony Keane	Laurence Brindle, Howard Brenchley
Risk	Anthony Keane	Laurence Brindle, Howard Brenchley
Nomination	Laurence Brindle	Anthony Keane, Steven Leigh
Remuneration	Laurence Brindle	Anthony Keane, Steven Leigh

NSH committees are governed by their respective Charters.

The NSH Policies provide for an Investment Committee and a Diversity Committee. The Board has determined that the Investment Committee and Diversity Committee functions be undertaken by the full Board at this time.

An important component of the NSR corporate governance structure is the ASX Corporate Governance Principles and Recommendations (the "ASX Recommendations"). The NSH Board considers that as of 25 February 2015 upon the appointment of Howard Brenchley to the Audit and Risk committees and Steven Leigh to the Remuneration and Nomination committees and as the date of this statement, the governance practices adopted by NSR comply with the third edition of the ASX Recommendations.

The Board and Responsible Entity early adopted the third edition of the ASX Recommendations as at 30 September 2014.

BOARD & MANAGEMENT RESPONSIBILITY

NSR's compliance with the ASX Recommendations are detailed in the NSR Corporate Governance Statement, Appendix 4G and all NSR governance Policies and Charters full copies of which can be found in the Governance section of the website at www.nationalstorageinvest.com.au. The current Corporate Governance Statement was adopted by the Board and Responsible Entity's Board on 26 August 2015.

Additionally, the Responsible Entity has established a compliance committee comprising three independent members. NSPT is a registered managed investment scheme and the rights and obligations of the Responsible Entity as a responsible entity of NSPT and NSPT Unitholders are governed by the constitution of NSPT.

As the responsible entity of NSPT, the Responsible Entity must comply with all obligations set out in the constitution and the Corporations Act. The Responsible Entity is also subject to duties including duties to act in the best interests of NSPT Unitholders, act honestly, exercise care and diligence, and treat NSPT Unitholders of the same class equally. In order to ensure compliance with the constitution and the Corporations Act, the Responsible Entity has in place a compliance plan which sets out the measures it will apply in operating NSPT.

A copy of the compliance plan can be inspected at National Storage's head office at any time between 8:30am and 5:00pm on a business day in Brisbane or a free copy may be requested by contacting NSH or the Responsible Entity.

The role of the NSH Board is to provide overall strategic guidance for NSR and effective oversight of management. It is responsible for monitoring the financial performance of NSR and the performance of the Managing Director and senior executive team. The NSH Board ensures the activities of NSR comply with its constitutions, from which NSH Board derives its authority to act, and with legal and regulatory requirements.

The responsibility for the daily operation and management of NSR is delegated to the Managing Director who undertakes this task in accordance with the strategy, policies and plans approved by the NSH Board. The Managing Director has authority to sub-delegate to the senior management team.

BOARD COMPOSITION & INDEPENDENCE

The current NSH Board is comprised of five Directors, being four non-executive Directors (one of whom is the Chairman) and the Managing Director. Detailed information about the Directors is set out on pages 26 - 28.

The NSH Board considers that its current members have had an appropriate balance of skills, independence and experience to discharge their obligations and affect the strategy of NSR. However, the NSH Board considers that it is appropriate and in the best interests of NSR and the stapled security holders to periodically review the size of the Board and its skill set to ensure that it remains appropriate for NSR. To this end and reflecting the continued growth in the business, the Board has identified its desire to appoint an additional director to further enhance the skill set of the Board and to enhance the gender diversity of the Board. Significant progress has been made towards this goal during the year.

The NSH Board considers all of the current non-executive Directors, being the Chairman Mr Laurence Brindle, Mr Anthony Keane, Mr Howard Brenchley and Mr Steven Leigh to be independent.

The Directors of the Responsible Entity are set out on page 43.

COMPANY SECRETARIES

The Company Secretary of NSH is Mr Patrick Rogers. Detailed information on Mr Rogers is contained on page 31 of this report. The Company Secretaries of the Responsible Entity are listed on page 45 of this report.

RISK MANAGEMENT

NSR's operations expose it to risks. A summary of potential risks is set out on page 40 of this report. Risks can be either of a controllable nature or of a non-controllable / less controllable nature. Examples of controllable risks are systems, processes and staff based risk. Non-controllable or less controllable risks are generally risks considered to be "external" to the Company such as macroeconomic factors, financial, regulatory or market risks.

Assumption of operating risks is undertaken through the risk management framework which seeks to identify, control and minimise risk where possible. NSR maintains a Risk Management Policy which lays a foundation for the NSH Board and senior management to manage risk and decision making by officers of NSR. A copy of the Risk Management Policy can be found on the website at *www.nationalstorageinvest.com.au*.

Senior management of NSR and the NSH Board are committed to effective risk management in the operation of NSR.

CONFIRMATION

NSR confirms it has, for the whole of the Reporting Period (1 July 2014 to the end of 30 June 2015), used the cash and/or cash equivalents that it had on hand at the date of admission to the Australian Securities Exchange in a manner consistent with its business objectives. Detailed commentary relating to NSR's business activities and strategy can be found at pages 8 through 25 of this Report.

DIRECTORS' REPORT

The Directors of NSH jointly with the Directors of the Responsible Entity as responsible entity of the NSPT present their report together with the financial statements of NSR which incorporates NSH and its controlled entities ("NSH Group") and NSPT and its controlled entities ("NSPT Group") for the financial year ended 30 June 2015 (the "Reporting Period") and the Independent Auditor's Report. The Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M of the Corporations Act Cth 2001.

KEY HIGHLIGHTS

- A-IFRS profit after tax of $48.7 million (2014: $15.6 million) and earnings per Stapled Security ("EPS") of 16.56 cents (2014: 11.00 cents)
- Underlying earnings[1] of $24.3 million, 8.2 cents per stapled security in line with guidance
- IPO Portfolio
    - Increase in rate per square metre to $282/sqm (2014: $275/sqm)
    - Occupancy steady at 71%
- Total Portfolio (excluding developing centres)
    - Rate per square metre of $293/sqm (2014: $275/sqm)
    - Occupancy increased from 70% to 72%
- Total Revenue increased by 39% to $63.7 million (2014: $45.7 million)
- Distributions of 8.2 cents per stapled security in line with guidance
- Completed 21 acquisitions totalling $189 million and added 101,000 sqm in net lettable area
- Total Assets Under Management (AUM) increased by 27% from $582 million to $740 million at 30 June 2015
- Increase of 12% in the valuation of the 30 June 2014 portfolio from $310 million to $346 million
- New country entry into New Zealand with the purchase of five storage centres in Christchurch (transaction completed August 2015)
- Portfolio value post completion of the New Zealand acquisition of $521 million
- Completed first asset recycling project with the sale of the Brooklyn centre
- Successfully conducted two equity raisings contributing $115 million

PRINCIPAL ACTIVITIES

NSR is the first internally managed and fully integrated owner and operator of self-storage centres to be listed on the ASX.

NSR is one of Australia's largest self-storage owner/operators, with 87 self-storage centres under operation or management, tailoring storage solutions to over 30,000 customers across Australia and New Zealand. NSR has grown its portfolio of owned and managed centres by 40% from 62 centres at the time of the IPO to 87 centres at the date of this Directors' Report. It has grown total storage units by approximately 28% with NSR now managing 51,000 storage units across 460,000 sqm of net lettable area around Australia and New Zealand. AUM has increased to $740 million as at 30 June 2015.

Of the 87 self-storage properties in the NSR portfolio, ownership is as follows:

- 47 self-storage centres owned by NSPT
- 12 self-storage centres operated as long-term leasehold centres (Leasehold Centres);
- 26 self-storage centres managed for the Southern Cross Storage Group (Southern Cross) in respect of which NSR holds a 10% interest through a wholly owned subsidiary; and
- 2 third party managed centres.

Southern Cross is an unlisted investment fund established by National Storage and real estate investment firm Heitman in September 2011 that owns self-storage centres throughout Australia, operated as National Storage branded centres.

The National Storage core product offering covers self-storage, business storage, vehicle storage and wine storage at National Storage's climate controlled storage facilities and via Wine Ark (which operates dedicated self-access and managed cellars). Ancillary income streams are derived from other related activities including packaging sales and vehicle/trailer hire.

[1] A-IFRS profit after tax adjusted for tax expense (+$0.3 million), Other non-operating expenses (+$0.9 million), Fair value adjustments (-$21.0 million) and Net loss from fair value adjustments of Leasehold investment properties (-$4.6 million)

BUSINESS STRATEGY

NSR's objective is to develop multiple revenue streams so as to deliver Securityholders a stable and growing income stream from a diversified portfolio of high quality self-storage centres, and consistent income and capital growth through active asset management, and portfolio management strategies (including the acquisition, development or redevelopment of self-storage centres).

The key drivers of the business are:

- Asset management – driving an appropriate balance between rental rate and occupancy growth and actively pursuing other business development initiatives;
- Portfolio management – acquiring and integrating quality assets into the NSPT portfolio;
- Centre Management – effective operation of individual assets and the expansion of the National Storage Centre Management platform (revenue from third parties);
- Development management – development / refurbishment / redevelopment of new and existing centres and actively managing portfolio recycling opportunities; and
- Capital management – maintaining an appropriate and efficient capital structure.

Further details on these key business drivers can be found on pages 8 – 25 of this 2015 Annual Report.

REVIEW AND RESULTS OF OPERATIONS

To facilitate the IPO, NSH was incorporated as the holding company for National Storage Pty Ltd ("NSPL"). Units in the NSPT were stapled to shares of NSH ("Stapled Securities"). The Stapled Securities were quoted on the ASX on 19 December 2013.

The Financial Statements of NSR are prepared in compliance with Australian Accounting Standards and the requirements of the *Corporations Act Cth 2001*. In order to ensure accurate and compliant financial reporting for comparative purposes, the financial accounts of NSH are treated as a continuation of NSPL for the comparative period (the "Comparative Period" or "2014").

However, given NSR only came into existence on 19 December 2013, the information presented in the Financial Statements does not reflect NSR's operations for the entire Comparative Period. Further, the comparative information is reported to the extent possible due to the creation of NSR. Users of the financial information should familiarise themselves with the "Corporate Information" and "Basis of Preparation" in Notes 1 and 2(a) in the Financial Statements.

OPERATING RESULTS

A-IFRS Profit after tax for the Reporting Period was $48.7 million and EPS for the Reporting Period was 16.56 cents. Underlying earnings, after adjusting (excluding) movements in the fair value of assets and other one off items, was $24.3 million or 8.2 cents per stapled security.

Gross trading income rose by 39% to $69.7 million. The rate per square metre achieved across the total portfolio (excluding developing centres) increased by 7% to $293/sqm at 30 June 2015.

Further details on these key business drivers can be found on pages 8 – 25 of this 2015 Annual Report.

CASH MANAGEMENT

Cash and cash equivalents as at 30 June 2015 were $9.5 million compared to $8.3 million in 2014. Net operating cashflow for the year was $37.6 million (2014: $22.4 million).

During the year NSR successfully completed two private placements and a security purchase plan raising $114,876,629 via the issue of 84,759,313 NSR ordinary securities. A further 4,800,000 ordinary securities valued at $7,152,000 were issued during November 2014 as part consideration for the acquisition of the Hume, Mitchell, Phillip and Queanbeyan storage centres.

An interim distribution of 4.0 cents per security ($11,825,266) was paid on 27 February 2015 with a final distribution of 4.2 cents per security ($14,047,169) declared on 23 June 2015 with an estimated payment date of 27 August 2015.

The Consolidated Group refinanced its debt facilities during December 2014. The new facilities are on a "Club" arrangement with National Australia Bank, Westpac Banking Corporation and Commonwealth Bank of Australia. The new facilities have increased the Consolidated Group's borrowing capacity to $200 million and delivered savings in the overall cost of debt. Additional interest rate hedges were entered into during December 2014 to take advantage of the current low interest rate environment. As at the Reporting Date, the facility limit of $200 million was drawn to $123.5 million with $76.5 million remaining available.

During the reporting period two additional interest rate hedges were entered into totalling $80 million. The new interest rate hedges have enabled NSR to extend the tenor of its hedge portfolio and lock in historically low interest rates for an extended period.

Subsequent to the Reporting Date an additional New Zealand denominated (NZ$) facility for NZ$25 million has been entered into to facilitate the recently announced Christchurch acquisition. The facility is on terms consistent with the existing club facility. As at the date of this report the facility was drawn to NZ$23.5 million.

ACQUISITIONS AND INVESTMENTS

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

The acquisition strategy has seen the number of centres in the NSR portfolio grow by 21 centres from 1 July 2014 to the date of this Directors' Report, and has resulted in the value of the NSR property portfolio (including indirect interests) increasing by $189 million. Further, a revaluation of the NSR owned centres on a like for like stand-alone basis as at 30 June 2015 (based on valuations and methodologies from independent valuer m3 Property) yielded an increase of 12% from $310 million to $346 million.

LIKELY DEVELOPMENTS

NSR intends to utilise its position as Australia's first listed self-storage REIT to continue to bring quality independently owned storage centres across Australia and New Zealand under NSR's ownership and/or management structure. In accordance with its strategy, NSR continues to seek accretive acquisition opportunities, evaluate its existing portfolio for development or re-development opportunities and further develop and refine its third party management offer.

DIVIDENDS AND DISTRIBUTIONS

NSR has paid or declared distributions totalling 8.2 cents per Stapled Security for the Reporting Period, comprising:

- An estimated distribution of 4.2 cents per Stapled Security for the 6 months to 30 June 2015. The distribution is expected to be paid on 27 August 2015 and is expected to contain a tax deferred component.
- A distribution of 4.0 cents per Stapled Security for the period 1 July 2014 to 31 December 2014 which was paid on 27 February 2015 which included a tax deferred component.

OPTIONS OVER STAPLED SECURITIES

No options over issued Stapled Securities or interests in a Controlled Entity have been granted in NSR during the Reporting Period. There are no options in Stapled Securities outstanding as at the date of this report.

ENVIRONMENTAL REGULATION

The Consolidated Group's operations are not regulated by any environmental law of the Commonwealth or a State or Territory that is enacted specifically for NSR. However, NSR must comply with broader environmental laws. NSH management on behalf of NSR has in place procedures to identify and ensure compliance with such laws including identifying and obtaining of necessary approvals, consents or licences.

There have been no known material breaches during the Reporting Period of any environmental laws to which NSR is subject.

ENVIROMENTAL, ECONOMIC AND OTHER SUSTAINABILITY RISKS

NSR's operating activities expose it to a number of potential risks. Overall risk is managed centrally by management to minimise potential adverse effects on the financial performance of NSR and protect Securityholder value.

A summary of the potential risks faced by NSR and its mitigation strategies is as follows:

- **Economic Conditions** - Fluctuations in economic conditions including consumer confidence may adversely impact upon demand for storage space. Material macroeconomic events occurring or any significant trading downturns due to factors beyond the control of management have the potential to negatively impact on forecast trading performance. The results of NSR's operating activities are dependent on the performance of the properties in which it invests and those it manages on behalf of other parties. This performance in turn depends on economic factors; these include economic growth rates, inflation rates and taxation levels. There are also industry and location specific risks to consider, including competitor behaviour.
- **Tenure** - storage agreements are typically month to month and there is no guarantee customers will renew or that other customers will be found to take their place upon departure. To mitigate this risk, customer relationships are carefully managed to maximise duration of stay and highly developed marketing and management systems are in place to maximise conversion of new customer enquiries.
- **Competition** - Entry by new competing storage centres or discounting by existing storage centres may adversely impact upon occupancy and rental rates on a centre specific basis. While there are barriers to entry for new competition, NSR constantly monitors its competitors' activities to ensure pricing and terms remain competitive.
- **Valuations** - property valuations in self-storage are subject to multiple micro and macroeconomic factors which are outside the control of NSR.
- **Property liquidity** - self storage centres are property based illiquid assets and subject to supply and demand factors dependent upon prevailing market conditions. As a result it may not be possible for NSR to dispose of assets in a timely or price accretive fashion should the need to do so arise.
- **Exposure to Southern Cross** - NSR has entered into a management agreement with Southern Cross which provides management fees for its services. This agreement may be terminated in certain circumstances including a material breach of the agreement that is not rectified within the remedy period. If the agreement was terminated these management fees would be lost. The investors' agreement pursuant to which NSR holds its investment in Southern Cross contains termination provisions. If Heitman exercised these, the assets of the trust may have to be sold.
- **Leasehold interests** - NSR holds lease agreements with certain third parties which allow it to operate storage centres from these properties. Lease terms for these properties are typically long (greater than 10 years). However there is no guarantee that these lease arrangements will be able to be renewed upon expiry or if so on suitable terms to NSR.
- **Future acquisitions and expansions** - the rate at which NSR will be able to expand will depend upon prevailing market forces including availability of appropriately priced acquisition opportunities and availability and pricing of both debt and equity capital. It is possible for a number of reasons that acquisitions made or to be made may not perform at the forecast level. NSR conducts extensive due diligence and financial modelling and has detailed integration and operational systems and processes designed to minimise this risk.
- **Personnel risk** - NSR relies upon the expertise and experience of the senior management team. As a consequence, if the services of key personnel were no longer available this may have an adverse impact on the financial performance of NSR. However, NSR's senior management team are considered internally to be stable and committed and succession planning is undertaken periodically by the NSH Board and Managing Director. Further, the Managing Director and Chief Operating Officer are subject to the clawback agreement over their Stapled Securities as detailed later in this Directors' Report.
- **Interest rate fluctuations and derivative exposure** - unfavourable movements in interest rates could lead to increased interest expense to the extent that these rates are not hedged. NSR uses derivative instruments to hedge a percentage of its exposure to interest rates however the interest rate movements could still result in an adverse effect on financial performance.

DIRECTORS

NATIONAL STORAGE HOLDINGS LIMITED

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

NAME	POSITION
Laurence Brindle	Non-Executive Chairman
Andrew Catsoulis	Managing Director
Anthony Keane	Non-Executive Director
Howard Brenchley	Non-Executive Director (appointed 21 November 2014)
Steven Leigh	Non-Executive Director (appointed 21 November 2014)

THE TRUST COMPANY (RE SERVICES) LIMITED

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

NAME	POSITION
Andrew Cannane	Director
Christopher Green	Director
Gillian Larkins	Director (resigned 31 July 2015)
Anna O'Sullivan	alternate Director for Andrew Cannane
	alternate Director for Christopher Green
Joanne Hawkins	alternate Director for Gillian Larkins (resigned 26 June 2015)
Glenn Foster	alternate Director for Gillian Larkins (resigned 31 July 2015)
Glenn Foster	Director (appointed 31 July 2015)
Michael Vainauskas	Director (appointed 02 March 2015)

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Board of National Storage Holdings Limited

Laurence Brindle, Independent Non-executive Chairman (Appointed 1 November 2013)
BCom, BE (Hons), MBA

Laurence has extensive experience in funds management, finance and investment. Until 2009 he was an executive with Queensland Investment Corporation (QIC). During his twenty-one years with QIC he served in various senior positions including Head of Global Real Estate where he was responsible for a portfolio of $9 billion. Laurence was also a long term member of QIC's Investment Strategy Committee. He provides advice to a number of investment institutions on real estate investment and funds management matters. Laurence holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland, and a Master of Business Administration from Cass Business School, London. He is a former Chairman of the Shopping Centre Council of Australia and a former director of Westfield Retail Trust and Scentre Group, which owns, operates and develops Westfield shopping centres in Australia and New Zealand.

Laurence serves on the Audit and Risk Committees and is Chairman of the Nomination and Remuneration Committees.

Andrew Catsoulis, Managing Director (Appointed 1 November 2013)
BA, LLB, Grad Dip Proj Mgmt (Hons)

Andrew is a qualified lawyer who has been admitted to the Supreme Court of Queensland. He has had extensive experience in the fields of finance, commercial and property law during his tenure at major law firms both in Australia and overseas. He is also a qualified project manager and has considerable property development experience both within the storage industry and in broader markets. A founder of the original National Storage business, he has over 18 years of specific self-storage industry expertise including in the areas of acquisition, development, integration and operation of 'greenfield' and developed self-storage centres. Andrew was instrumental in the successful acquisition and integration of the original Pre-Existing Group portfolio and led the Company through the IPO.

Anthony Keane, Independent Non-executive Director (Appointed 1 November 2013)
BSc(Maths), Grad Dip Corp Fin

Anthony is an experienced finance and business executive with over 30 years background in corporate, institutional, business and retail banking. Prior to accepting his directorship with the Company, Anthony was most recently Head of Corporate Banking Queensland for National Australia Bank and was responsible for the bank's relationships with large privately owned and public listed companies across a broad range of industries including manufacturing, retail, wholesale, property, professional services, technology, leisure and tourism, transport, mining and associated services. Anthony has a Bachelor of Science (Mathematics) from University of Adelaide and a Graduate Diploma in Corporate Finance from Swinburne. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors and a fellow of the CEO Institute. He is a Director of Queensland Symphony Orchestra Pty Ltd.

Anthony acts as Chairman of the Audit and Risk Committees and is a member of the Remuneration and Nomination Committees.

Howard Brenchley, Independent Non-executive Director (Appointed 21 November 2014)
BEc

Howard has nearly 30 years' involvement in the Australian property industry, as an analyst, investor and fund manager. Howard co-founded Property Investment Research Pty Ltd (PIR) in 1989 which during the 1990s was considered a leading researcher of both listed and unlisted property funds. In 1998 Howard was responsible for the establishment of APN Funds Management Limited, part of the APN Property Group Limited. During this period he was responsible for the establishment and operations of a number of funds investing both directly and indirectly in real estate.

Howard is currently a non-executive director of the ASX-listed APN Property Group Limited (APD) and is also a non-executive director of APN Funds Management Limited, responsible entity for Generation Healthcare REIT and Industria REIT. He is also a member of the Board of Advisors of the Property Industry Foundation (Victoria).

Howard is a member of the Audit and Risk Committees.

Steven Leigh, Independent Non-executive Director (Appointed 21 November 2014)
Certified practising valuer, Grad Dip Proj Mgmt

Steven joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and or created through development a portfolio of high quality retail and commercial assets in Australia, USA and the UK. Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments.

After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director QIC Global Real Estate in 2012 where he is responsible for the group's $12bn plus property portfolio. Steven is a certified practising valuer and holds a Graduate Diploma in Project Management from the Queensland University of Technology. Steven is an associate member of the Australian Property Institute.

Steven is a member of the Remuneration and Nomination Committees.

Board of The Trust Company (RE Services) Limited

Andrew Cannane, Director
BEcon, MBA

Andrew Cannane is General Manager, Corporate Client Services and has responsibility for wholesale trustee and custodial services for registered and unregistered funds and our Singapore Corporate Trustee business. Prior to Perpetual's acquisition of The Trust Company, Andrew was the General Manager of Corporate Client Services for The Trust Company where he was responsible for business development and client relationship management. He was also an Executive Director on The Trust Company's RE and Debt Capital Markets Boards. Prior to this, Andrew established The Trust Company's office in Singapore and has led the strategic direction of The Trust Company's international business for the past seven years. Prior to joining The Trust Company, Andrew spent 15 years in wealth management, financial markets and retail banking in Australia, Singapore, and the UK. He holds a MBA (Executive) degree from the Australian Graduate School of Management, a Bachelor of Economics degree from Sydney University and he is a Fellow of the Financial Services Institute of Australasia (FINSIA).

Christopher Green, Director
B Com, LLB, MBA

Christopher joined Perpetual from JPMorgan where he spent ten years with the Institutional Trust Services business firstly in Europe covering the European, Middle Eastern and African markets and then as head of its Australian business. His career began as a solicitor for Corrs Chambers Westgarth. He holds a Masters of Business Administration (London Business School) and a Bachelor of Laws and a Bachelor of Commerce (University of Queensland). Christopher is Deputy Chairman of the Australian Securitisation Forum and a member of the Australian Institute of Company Directors. Christopher is currently completing a BA in Philosophy through the University of London.

Gillian Larkins, Director (resigned 31 July 2015)
B Com, GradDip Accounting & Finance MBA CA GAICD

Ms Gillian Larkins joined Perpetual as Group Executive Transformation Officer in October 2012, and assumed the role of Chief Financial Officer in January 2013. Ms Larkins has approximately 20 years of experience in finance, strategy and management roles across a number of industries. Most recently, she was Chief Financial Officer, Managing Director of Westpac Institutional Bank, responsible for Finance and Strategy, and prior to that, Chief Financial Officer Australia and New Zealand of Citigroup. Ms Larkins has also served on the board of Hastings Fund Management as a non-executive director from 2009 to 2011. As a member of the Executive Leadership Team reporting to the CEO, Ms Larkins heads Perpetual's Finance, IT, and Risk functions, which include Audit, Legal and Company Secretariat. Ms Larkins holds a Master of Business Administration from the Macquarie Graduate School of Management, as well as a Graduate Diploma in Accounting and Finance and a Bachelor's Degree of Commerce, majoring in Economics, both from the University of Otago, New Zealand. She is a member of the NZ Chartered Accountant's Society and a Graduate of the Australian Institute of Company Directors.

Michael Vainauskas, Director (appointed 2 March 2014)
MBF

Michael joined Perpetual Limited as the Chief Risk Officer (CRO) in October 2014. In this role he is responsible for both risk management and internal audit functions across the Group. Prior to this he was the Head of Risk Operations within the International Financial Services (IFS) Division of the Commonwealth Bank of Australia (CBA) where he held this role from March 2012 until Nov 2013. In this role Michael was responsible for managing all risk management and supporting all risk management functions (other than large credit approvals) of the IFS businesses which include China, India, Indonesia, Japan and Vietnam. Michael was previously the CRO for PT Commonwealth Bank Indonesia for 1 year, a subsidiary of CBA. In this role Michael was responsible for all risk and legal areas across the subsidiary. Michael's background in finance extends back to 1983 and covers business, operational, compliance, legal and risk related responsibilities, from line-staff positions through to executive management level within a decentralised and centralised framework. Michael previously worked for 15 years at Household Finance Ltd which was subsequently acquired by AVCO Finance and is known as GE Capital today in Australia. Michael holds a Master of Business in Finance.

Glenn Foster (appointed 31 July 2015)
B Comm, CA, GAICD

Glenn is responsible for the Perpetual Limited Group Finance function including external, regulatory and statutory reporting, financial operations, corporate tax compliance, and treasury and capital management. He is also responsible for Business Support Services, including Facilities Management. Glenn commenced his career with Coopers and Lybrand (now part of PricewaterhouseCoopers) before entering the financial services industry in 1994. Prior to joining Perpetual in 2003, Glenn worked in a number of senior finance roles with AIDC Ltd., Babcock and Brown, State Street Bank & Trust Company and RAMS.

Alternate Directors:

Anna O'Sullivan - LLB

Glenn Foster – B Comm, CA, GAICD (resigned 31 July 2015)

Joanne Hawkins – B Comm, LLB, Grad Dip CSP FGIA (resigned 26 June 2015)

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by current Directors in the three years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Laurence Brindle	Scentre Group (ASX:SCG)	01/07/2014 – 07/05/2015
	Westfield Retail Trust (ASX:WRT)	December 2010 - 30/06/2014
Howard Brenchley	APN Property Group (ASX:APD)	1998 - Current
	Generation Healthcare REIT (ASX:GHC)	12/08/2011 - Current
	Industria REIT (ASX:IDR)	03/12/2013 - Current

DIRECTORS' INTERESTS IN NSR SECURITIES

As at the date of this Directors' Report, the interests of the Directors (including indirect interests) in the Stapled Securities of NSR were:

DIRECTOR	DIRECT	INDIRECT	TOTAL
Laurence Brindle	-	1,032,400	1,032,400
Anthony Keane	-	114,000	114,000
Andrew Catsoulis	397,900	12,161,263	12,559,163
Howard Brenchley	-	-	-
Steven Leigh	-	63,000	63,000
Andrew Cannane	-	-	-
Christopher Green	-	-	-
Anna O'Sullivan (1) (2)	-	-	-
Glenn Foster	-	-	-
Michael Vainauskas	-	-	-

(1) Alternate for Andrew Cannane
(2) Alternate for Christopher Green

THE RESPONSIBLE ENTITY'S INTERESTS IN NSR SECURITIES

Entities related to the Responsible Entity within the Perpetual Group manage funds that own 575,648 Stapled Securities in NSR.

DIRECTORS' MEETINGS

The number of meetings of directors of NSH (including meetings of sub-committees of directors) held during the Reporting Period and the number of meetings attended by each director were as follows:

DIRECTOR	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Laurence Brindle	20 (20)	4 (4)	3 (3)	4 (4)	4 (4)
Anthony Keane	20 (20)	4 (4)	3 (3)	4 (4)	4 (4)
Andrew Catsoulis	20 (20)	-	-	-	-
Howard Brenchley	9 (9)	1 (1)	1 (1)	-	-
Steven Leigh	9 (9)	-	-	3 (3)	3 (3)

Notes:
1. Figures in brackets indicate the number of meetings held whilst the director was in office or was a member of the relevant Committee during the Reporting Period. Figures not in brackets indicate the number of meetings or Committee meetings that the director attended.
2. Mr. Catsoulis attends Nomination, Remuneration, Risk and Audit Committee meetings by invitation.
3. The Audit and Risk Committees were combined up until 30 September 2014
4. The Remuneration and Nomination Committees were combined up until 25 February 2015
5. The Company has an Investment Committee Charter to govern an Investment Committee. The Board has determined that at this time, the full Board will act as the Investment Committee and therefore there are no separate Investment Committee meetings noted.

COMPANY SECRETARY

NATIONAL STORAGE HOLDINGS LIMITED

Patrick Rogers (appointed 1 November 2013)
LLB, B Bus - Accounting

Patrick holds both legal and accounting qualifications and is admitted as a solicitor of the Supreme Court of Queensland. He has practiced as a solicitor for over 15 years in both fields. During his time in private practice, Patrick has had significant experience in corporate, property, commercial, taxation and transactional work. In addition to private practice, Patrick was the general counsel and company secretary of the Super A-Mart Group for over 8 years, (including holding the role of CFO for a time) where he was a part of the senior management team and had extensive involvement in the operations of the company.

THE TRUST COMPANY (RE SERVICES) LIMITED

Glenda Charles (appointed 28 February 2014)
Thornton Christensen (appointed 28 February 2014, resigned 1 May 2015)
Sylvie Di Marco (appointed 1 May 2014)
Joanne Hawkins (appointed 1 May 2014)

CORPORATE GOVERNANCE

NSH and The Responsible Entity have their own respective Boards and constitutions. The relationship between NSH and the Responsible Entity is governed by a Cooperation Deed and Management Agreement that facilitate common processes and governances for NSR. Pursuant to the NSR Charter, it is the function of the NSH Board to provide overall strategic guidance and effective oversight of management of NSR.

The NSH and Responsible Entity Boards and NSH management are committed to achieving and demonstrating to Securityholders high standards of corporate governance and to ensure NSH acts in the best interests of its Securityholders balanced with its broader community obligations.

An important component of the NSR corporate governance structure is the ASX Corporate Governance Principles and Recommendations (the "ASX Recommendations"). A more detailed discussion of NSR's Corporate Governance is found at page 32 of this Annual Report and a statement of the extent of NSR's compliance with the ASX Recommendations can be viewed on the NSR website at www.nationalstorageinvest.com.au/corporate/governance/. Full copies of all NSR governance policies and Charters can also be found in the Governance section of the website.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors and executive officers of the Company and its group entities to the extent permitted by law, for the amount of any liability, loss, cost, charge, damage, expense or other liability suffered by the Director or executive officer as an officer of the Company or group entity or as a result of having been an officer of the Company or any Group entity. This includes any liability arising out of or in connection with any negligence, breach of duty, or breach of trust ("Indemnity").

However, the Indemnity does not extend to a claim in the nature of:

(a) a challenge to any rejection of a Director's claim by the provider of the Company's insurance cover; or

(b) a cross-claim or a third-party claim for contribution or indemnity in, and results directly from, any Proceedings in respect of which the Director has made a claim under the Indemnity.

Deeds of indemnity to effect the above have been formally entered into by the Company and Laurence Brindle and Anthony Keane. The Company will enter into similar deeds of indemnity with the other Directors and executive officers of the Company during the 2016 financial year.

The Deeds of Indemnity require the Company to obtain a back to back indemnity to the Company from the Responsible Entity out of the assets of the NSPT. This has been procured by the Company and is in place. The back to back indemnity requires the Responsible Entity to indemnify the Company for any liability under the Directors/officers indemnity to the extent that the Company is not able to meet that obligation. The indemnity does not extend to any payment made or due as a result of a breach by the Company of its obligations under a Director/officer indemnity or to any payment which the Company makes voluntarily but is not due and payable under the terms of a Director/officer indemnity.

The total amount of insurance contract premiums paid for Directors and Officers insurance for NSR (including subsidiary entities) during the Reporting Period was $109,982.

No insurance premiums are paid out of the assets of the NSPT in regards to insurance cover provided to either the Responsible Entity or the auditors of the NSPT. So long as the officers of the Responsible Entity act in accordance with the constitution and the law, the officers remain indemnified out of the assets of the NSPT against losses incurred while acting on behalf of the NSPT. The auditors of the NSPT are in no way indemnified out of the assets of the NSPT.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made or claim received by NSR to indemnify Ernst & Young during the Reporting Period or up to the date of this report.

REMUNERATION REPORT (AUDITED) – NSH GROUP

MESSAGE FROM THE BOARD

The NSH Board is committed to ensuring that remuneration strategies are structured to support and reinforce NSR's overall business strategy. By linking the Short Term Incentive ("STI") and Long Term Incentive ("LTI") (at risk remuneration) of executive remuneration to the drivers that support the business strategy, the remuneration of executives is aligned with the creation of long-term value for Securityholders. The Board believes that the remuneration practices of NSR should fairly and responsibly reward Key Management Personnel ("KMP") having regard to their individual performance, the performance of NSH and NSPT and the broader external environment as it relates to KMP reward.

The policy also aims to provide a platform for sustainable value creation for Securityholders by attracting and retaining quality KMP.

COVERAGE OF THIS REPORT

The following remuneration report has been prepared to provide information to Securityholders of the remuneration details of the KMP of NSH involved in the management of the NSPT.

Directors of the Responsible Entity do not receive any remuneration from NSR as KMP. The Responsible Entity receives a fee for management services rendered.

This information has been audited as required by section 308(3C) of the Act.

KMP are defined as *"those persons having authority and responsibility for planning, directing and controlling the major activities of NSH, the Consolidated Group and the NSPT, directly or indirectly, including any director (whether executive or otherwise) of NSH."*

Key management personnel covered in this report are as follows:

NON-EXECUTIVE AND EXECUTIVE DIRECTORS

Laurence Brindle - Chairman (non-executive)
Andrew Catsoulis – Managing Director (executive)
Anthony Keane - Director (non-executive)
Howard Brenchley - Director (non-executive) (appointed 21 November 2014)
Steven Leigh - Director (non-executive) (appointed 21 November 2014)

KEY MANAGEMENT PERSONNEL – SENIOR EXECUTIVES

Peter Greer – Chief Operating Officer (COO)
Stuart Owen – Chief Financial Officer (CFO) (appointed 26 October 2014)
Thomas Rice – Chief Financial Officer (CFO) (resigned effective 13 February 2015)

REMUNERATION GOVERNANCE

REMUNERATION COMMITTEE AND USE OF REMUNERATION CONSULTANTS

The Remuneration Committees activities are governed by its Charter, a copy of which is available at www.nationalstorage.com.au.

The responsibilities of the Remuneration Committee include:

- Formulate and recommend remuneration policies to apply to the Company's Managing Director, senior executives and non-executive Directors;
- Formulate the specific remuneration packages for senior executives (including base salary, STIs, LTIs and other contractual benefits);
- Review contractual rights of termination for senior executives;
- Review the appropriateness of the Company's succession planning policies;
- Review management's recommendation of the total proposed STI and LTI awards;
- Administering the STI and LTI awards; and
- Review management recommendations regarding the remuneration framework for the company as a whole.

The deliberations of the Remuneration Committee, including any recommendations made on remuneration issues, are considered by the NSH Board. In making its recommendations to the Board, the Remuneration Committee takes into account advice from independent remuneration advisers on trends in remuneration for KMP. The independent remuneration advisors consider a range of factors including the specific responsibilities assumed by KMP. An independent consultant, CRA Plan Managers Pty Limited (CRA), was engaged during the Reporting Period to assess the remuneration structure that was established on listing and to provide advice on market practice relating to executive remunerations structures. The advice did not constitute a remuneration recommendation as defined in the *Corporations Act Cth 2001*.

The Remuneration Committee comprises three independent non-executive directors and is chaired by Laurence Brindle. The Remuneration committee met four times during the Reporting Period.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the remuneration policy is to ensure that Group remuneration is competitive, reflects responsibilities of the officers and ensures that NSR is able to attract and retain executives and directors with the skills and capabilities required to sustainably deliver NSR's objectives.

The remuneration of directors and senior executives is reviewed at least annually by the Remuneration Committee and the full NSH Board. External analysis and advice is sought by the Committee, where considered appropriate, to ensure that the remuneration for directors and senior executives is competitive in the market place and appropriate for the organisation.

The policy seeks to align executive reward with the achievement of strategic objectives and the creation of value for Securityholders. The primary tenets of the policy are:

- Attract and retain high quality executives and to reward the capabilities and experience brought to NSR by those executives.
- Total reward for key executives is to have a significant "at risk" component.
- The "at risk" component for key executives is to include both short term incentives ("STI") and long term incentives ("LTI") which have a strong focus on quantitative measures.
- Provide industry competitive rewards linked to Securityholder returns.
- Provide recognition for contribution, complexity of role and responsibilities of the officer.
- Remuneration policies and structures must be clear and transparent both to the executives and Board of NSR and to Securityholders.

TARGET MARKET POSITIONING

Total Annual Remuneration (TAR) is assessed against a broad comparator group and adjusted to reflect factors such as the criticality of the role, industry experience, length of service and NSR's positioning within the comparator group. The individual components of TAR, comprising fixed remuneration, STI and LTI are individually assessed within this framework and structured to provide both short term and long terms incentives to KMP that align with delivery of short term and long term value to Securityholders.

When selecting the comparator group the data is collected from a combination of sources including audited Remuneration Reports of the selected companies. It provides an appropriate pool of data that is statistically relevant. This data is then assessed against NSR's current size, industry positioning and other relevant factors to determine the appropriate information against which to assess NSR's remuneration framework.

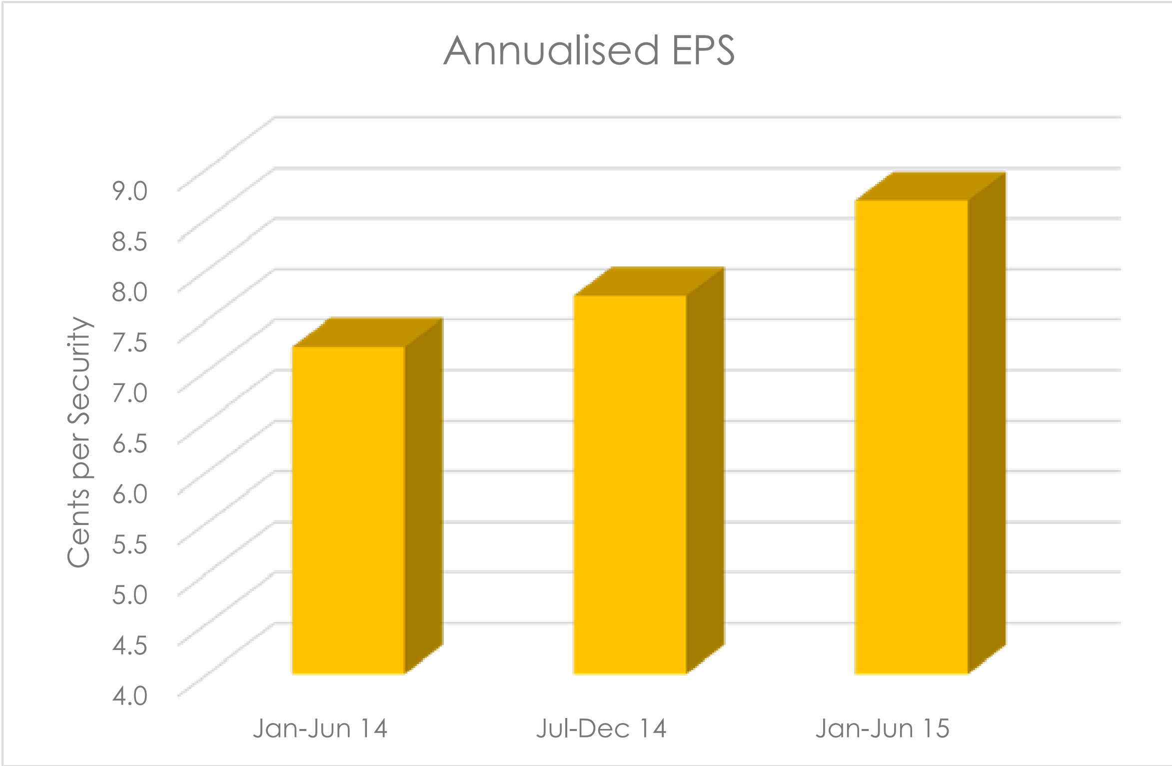
The composition TAR for KMP is detailed in the table below.

ROLE	TFR	STI	LTI
MD	60%	20%	20%
COO	60%	20%	20%
CFO	66%	17%	17%

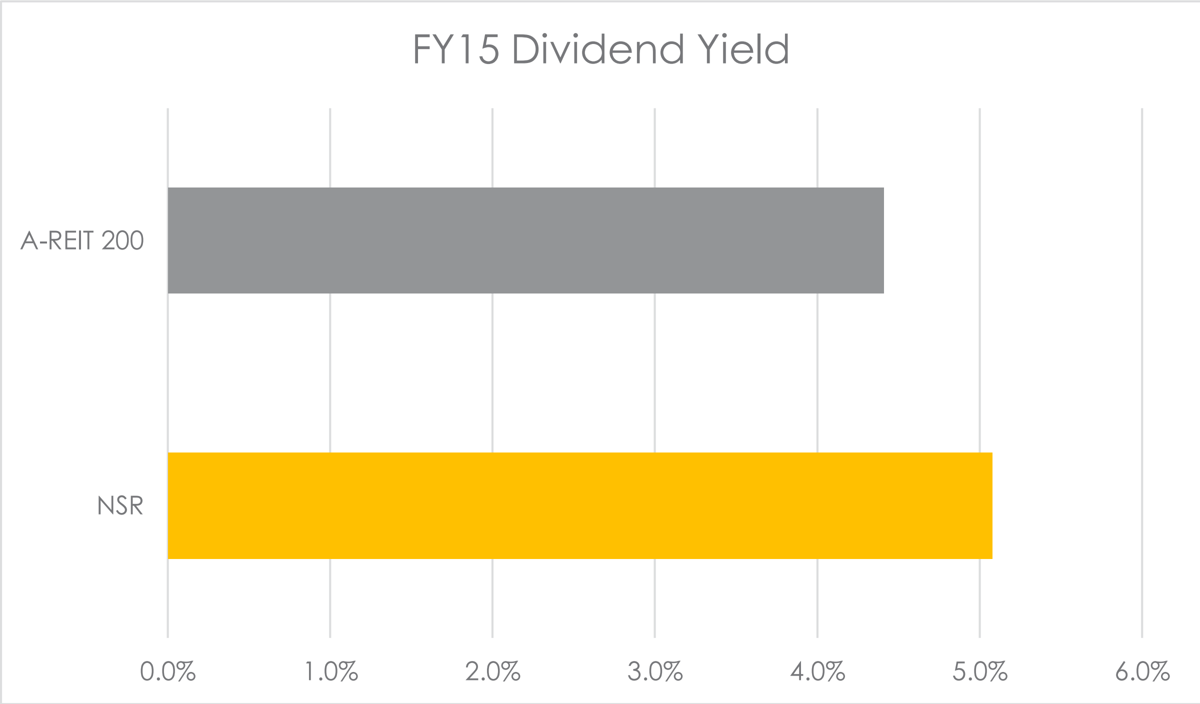
NSR PERFORMANCE

NSR has delivered its growth objectives over the reporting period culminating in NSR's admission to the S&P ASX 200 index in June 2015. This is a significant achievement for the company which can be attributed to a combination of growth in share price, increased earnings and the successful implementation of the Company's growth strategy. This has resulted in significant growth in assets under management during this time which in turn has delivered superior returns to security holders.

The Company has established a track record of delivering strong and consistent earnings growth since listing in December 2013, increasing earnings per security by 20% in the six months to 30 June 2015 over the corresponding period to 30 June 2014. A consistent and considered approach to driving increased earnings through a combination of organic growth from existing assets as well as targeted EPS accretive acquisitions has been instrumental in achieving this result.

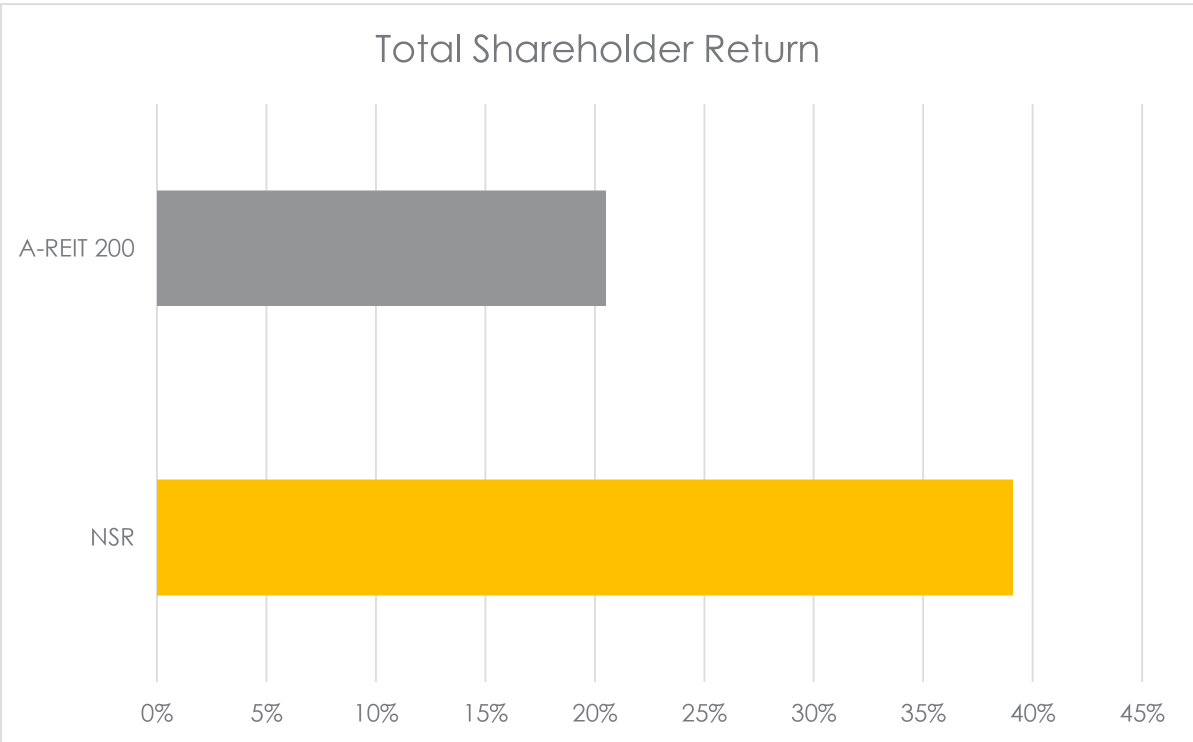


NSR has an established distribution policy which targets distribution of 90% - 100% of underlying earnings to security holders. During financial year 2015 NSR declared distributions totalling 8.2 cents per stapled security, being at the upper end of the stated policy, delivering DPS yield of 5.1%, some 15% above that of the A-REIT 200 average.



Source: IRESS and Bloomberg. Market Data as at 27 July 2015.
Yield calculated using actual dividends received over the period.

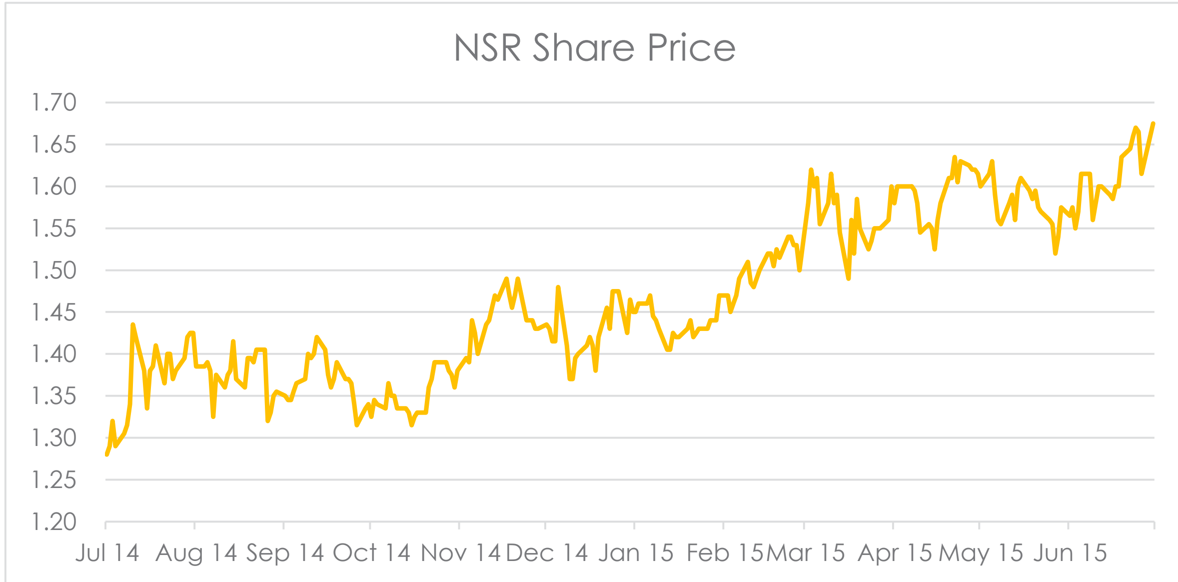
NSR was ranked the number one performing REIT in Australia for Total Shareholder Return "TSR" (a combination of share price growth and distributions received by security holders), over the twelve months to 30 June 2015 delivering a 39% return to security holders. This was 90% above the A-REIT 200 index average of 20%.

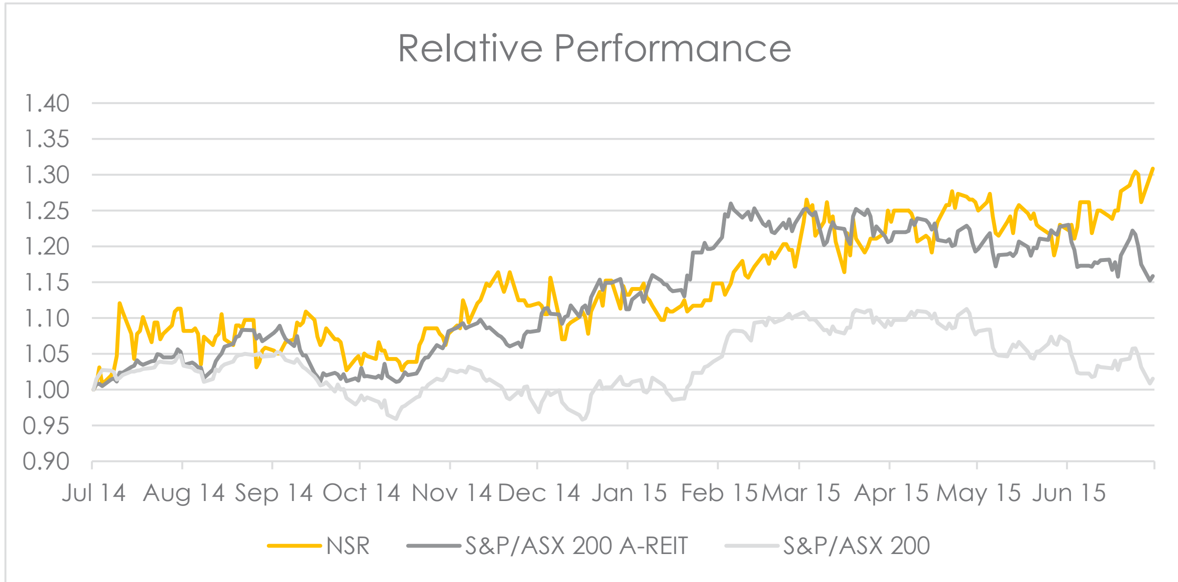


Source: Bloomberg. Market Data as at 27 July 2015.
Annualised total return, assuming dividends are re-invested in the underlying shares. Calculated monthly over 12 months to 30 June 2015.

NSR listed in December 2013 with an issue price of $0.98. From that time to 30 June 2015 the security price has increased by 70% with a 30 June 2015 closing price of $1.68. This has occurred during a time in which two additional capital raisings were undertaken to facilitate the acquisition of twenty one new storage centres from IPO to the date of this Directors Report.

Security price performance over the twelve months to 30 June 2015 has shown a 31% increase. This compares to an increase of 15% for the A-REIT 200 index and 2% for the broader ASX 200 Index.





NSR REMUNERATION FRAMEWORK

NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors and their contribution towards the performance of NSR as well as the complexity of the National Storage Property Trust and operating business. The remuneration policy seeks to ensure that NSR attracts and retains directors with appropriate experience and qualifications to oversee the operations of NSR on behalf of the Securityholders.

The number of meeting of directors of shown on page 45 of this report.

The Constitution of NSH specifies that the amount of the remuneration of the non-executive directors is a yearly sum not exceeding the sum from time to time determined by the Company in general meeting. Under the ASX Listing Rules, the total amount paid to all NSH non-executive directors for their services must not exceed in aggregate in any financial year the amount fixed by NSH's annual general meeting.

The amount approved by Securityholders at the 2014 Annual General meeting is $900,000.

Annual NSH non-executive directors' fees and Committee fees currently agreed to be paid by NSH are as follows:

NON-EXECUTIVE DIRECTORS	BASE FEE	CHAIR FEE	AUDIT AND RISK COMMITTEE FEES	REMUNERATION COMMITTEE FEES	TOTAL
Laurence Brindle	$85,000	$85,000	$4,000	$5,000	$179,000
Anthony Keane	$85,000	-	$10,000	$2,500	$97,500
Steven Leigh	$85,000	-	-	$2,500	$87,500
Howard Brenchley	$85,000	-	$4,000	-	$89,000

All NSH non-executive directors' fees include superannuation at the required statutory rate.

KEY MANAGEMENT PERSONNEL - EXECUTIVE DIRECTOR AND SENIOR EXECUTIVES

All remuneration paid to executive directors and senior executives comprises four components:

- Base pay and benefits (including superannuation)
- Short-term performance incentives
- Long-term incentives
- Other remuneration (if applicable)

Base salary and benefits

The Managing Director and senior executives are paid a base salary that includes employer contributions to superannuation funds. The remuneration of the Managing Director is reviewed annually by the Remuneration Committee and Board. The remuneration of senior executives is reviewed annually by the Managing Director who makes a recommendation to the Remuneration Committee. The Committee then considers, but is not obliged to accept, the recommendation of the Managing Director and takes whatever additional steps it determines appropriate to assess the senior executive salaries.

There is no guarantee of base salary increases included in any executive director or senior executive contracts or through the annual review process. The remuneration of all KMP was reviewed during the year.

The Managing Director and senior executives can potentially be paid a bonus as part of their remuneration. Whether such a bonus is paid and the amount of such a bonus is at the discretion of the Remuneration Committee and the Board. Any bonuses paid would fall into the category of "other remuneration".

Service agreements

Remuneration and other terms of employment for the KMP senior executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Termination benefits are within the limits set by the *Corporations Act Cth 2001* such that they do not require Securityholder approval.

NAME	TERM OF AGREEMENT AND NOTICE PERIOD	BASE SALARY INCLUDING SUPERANNUATION*	TERMINATION PAYMENTS
Andrew Catsoulis	No fixed term 6 months	$750,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness.
Peter Greer	No fixed term 6 months	$675,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness.
Stuart Owen	No fixed term 6 months	$330,000	• 6 months in lieu of notice if required by NSH. • 6 months in the event of incapacity or illness. • 1 months fixed remuneration plus 2 weeks for each week of service – capped at 2 months in the event of redundancy

* Base salaries are annual salaries for the financial year commencing 1 July 2015. They are reviewed annually by the Remuneration Committee. Actual salaries paid in the year ended 30 June 2015 are shown on page 55.

Short and long term incentives

KMP senior executives are also entitled to participate in the short and long term incentive programs that are in place from time to time. The incentive programs are at the discretion of the Board and do not constitute an entitlement under the executive service agreements of the respective KMP. Total incentive programs are assessed against a broad comparator group and adjusted to reflect factors such as the criticality of the role, industry experience, length of service and NSR's positioning within the comparator group.

An independent consultant was engaged during the Reporting Period to assess the appropriateness of the remuneration structure that was in established on listing and to provide advice on market practice relating to executive remunerations structures. The advice did not constitute a remuneration recommendation as defined in the *Corporations Act Cth 2001*. After considering all the relevant information the Board has determined that a revised short and long term incentive program should be implemented for KMP. The following incentive program is effective from 1 July 2015.

Short Term Incentive (STI)
The STI will contain four separate elements that will be assessed independently of the other elements. The STI will be an annual incentive and be paid annually.

ELEMENT	PERCENTAGE OF STI	CRITERIA
Financial	70%	Underlying Earnings as determined by the Board
Financial – Out Performance*	10%	Exceeding Underlying Earnings targets
Individual KPI's	15%	Individual performance criteria set in conjunction with MD / Board
Strategic	15%	Assessment in accordance with performance in the following areas: • Implementation of major projects • Staff continuity • Risk Management • Innovation and enhancement of processes and procedures
Total	**100% (Max)**	

* The Financial Out-Performance STI is only payable to the extent that the total STI payable does not exceed 100%.
The minimum STI payable is zero and maximum STI payable is $560,000.

Long Term Incentive (LTI)
The LTI criteria have been set so as to align the interests of KMP with those of security holders. The LTI will contain two separate components which are independently tested:

- Total Shareholder Return 70% of LTI
- EPS growth 30% of LTI

The LTI will be assessed over a rolling 3 year period and as such to be eligible for payment of the LTI KMP must have been employed by NSR for three years (or shorter period as determined by the Board). The minimum LTI payable is zero and maximum LTI payable is $560,000.

Short and long term incentives in place during reporting period:
The Managing Director and Chief Operating Officer (the "Incentivised Officers") were eligible for payment of STI's and LTI's for the calendar year ended 31 December 2014 in accordance with the initial incentive program put in place and disclosed as part of the NSR Initial Public Offering.

REMUNERATION	TYPE	CONSIDERATIONS
Base Salary	Fixed	Experience, capabilities and skills, performance
STI	Variable	Performance against set financial and non-financial hurdles
LTI	Variable	Performance against set financial and non-financial hurdles

The STI's and LTI's were agreed with the Incentivised Officers to reward them for performance against both financial and operational objectives. The minimum payable is zero and maximum payable is $1,226,500.

The STI and LTI hurdles included:

1. If the EBITDA hurdle ($30.8 million) is exceeded, an entitlement to a portion of the STI and LTI incentive is triggered according to a sliding scale from 25% of the incentive to 100%. The EBITDA hurdle is weighted at 30% of the total possible incentive.
2. If the Distribution per Unit ("DPU") hurdle (8 cents) is exceeded, an entitlement to a portion of the STI and LTI incentive (being 50% of) is triggered according to a sliding scale from 25% of the incentive to 100%. The DPU hurdle is weighted at 50% of the total possible incentive.
3. Non-Financial hurdles for both STI and LTI comprised of retention of senior staff and executives and performance against the A-REIT average. These combined comprised a potential entitlement of 20% of the total fixed remuneration. The non-financial hurdles are weighted, in total, at 20% of the total possible incentive.

An overview of the remuneration structure for NSR during the Reporting Period was as follows:

The Board has assessed the performance of the Company and the Incentivised Officers against the performance criteria and have determined that the following STI and LTI's has been earned by the Incentivised Officers for the period 1 January 2014 to 31 December 2014. The Board has determined that it does not wish to use equity or shadow equity instruments as an element of the ongoing overall remuneration framework. As result the Board has used its discretion to pay the LTI component as cash.

INCENTIVE OFFICER	STI	LTI	TOTAL
Andrew Catsoulis (MD)	$42,875	$76,563	$119,438
Peter Greer (COO)	$39,200	$56,000	$95,200
Total	**$82,075**	**$132,563**	**$214,638**

Other Remuneration:
The Board has determined that the Managing Director and Chief Operating Officer are to be paid a discretionary bonus of $104,081 and $81,813 respectively for the period 1 January 2015 to 30 June 2015 as a reward for the superior performance of the Company over this period in comparison to its market segment. The decision to pay a discretionary bonus reflected the fact that no formal STI or LTI performance incentive program was in effect throughout this period. The STI and LTI performance incentive program outlined above was implemented as part of the IPO and covered the period from IPO to 31 December 2014.

DETAILS OF REMUNERATION

The following tables set out details of the remuneration received by the Company's KMP for the Reporting Period.

	SHORT TERM INCENTIVES		POST-EMPLOYMENT BENEFITS	LONG TERM INCENTIVES				
	SALARY & FEES	CASH BONUS	SUPER-ANNUATION	CASH INCENTIVES	LONG SERVICE LEAVE	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2015	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive directors								
Laurence Brindle	149,094	-	14,164	-	-	-	163,258	0%
Anthony Keane	81,862	-	7,777	-	-	-	89,639	0%
Howard Brenchley	55,519	-	-	-	-	-	55,519	0%
Steven Leigh	38,453	-	3,653	-	-	-	42,106	0%
Executive director								
Andrew Catsoulis	431,438	146,956	40,987	76,563	10,138	-	706,082	32%
Senior executives								
Peter Greer	391,152	121,013	37,159	56,000	9,215	-	614,539	29%
Thomas Rice (Resigned 13 February 2015)	137,652	-	19,558	-	3,644	94,982	255,386	0%
Stuart Owen (Appointed 26 October 2014)	150,158	-	14,265	-	3,732	-	168,155	0%
Total	**1,435,328**	**267,969**	**137,563**	**132,563**	**26,729**	**94,982**	**2,095,134**	

The termination payment made to Thomas Rice was in accordance with the provisions of his employment contract.

	SHORT TERM INCENTIVES		POST-EMPLOYMENT	LONG TERM INCENTIVES				
	SALARY & FEES	CASH BONUS	BENEFITS SUPER-ANNUATION	CASH INCENTIVES	LONG SERVICE LEAVE	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2014	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-executive directors								
Laurence Brindle	98,616	-	8,070	-	-	-	106,686	0%
Anthony Keane	54,603	-	4,469	-	-	-	59,072	0%
Executive director								
Andrew Catsoulis	249,082	-	20,722	-	-	-	269,804	0%
Senior executives								
Peter Greer	236,092	-	19,520	-	-	-	255,612	0%
Thomas Rice	166,622	-	15,413	-	-	-	182,035	0%
Total	**805,015**	**-**	**68,194**	**-**	**-**	**-**	**873,209**	

* This represents the period from IPO (13 December 2013) to 30 June 2014.

KMP CLAWBACK AGREEMENT

The Managing Director and Chief Operating Officer have agreed, in relation to the Stapled Securities issued in the IPO that they hold, to performance hurdles and clawback mechanisms if the performance hurdles are not achieved. The performance hurdles are in place until the earlier of the date the performance hurdles are achieved for two consecutive test dates or five years. If the performance hurdles are not achieved, any distribution from the NSPT or a dividend from NSH (a "Securities Payment") will be clawed back from the relevant officer.

If a dividend/distribution is declared it must be determined if the EPSS of NSR for the relevant period is at least 8.75 cents. The relevant period is the rolling twelve month period ending on the last day of the relevant period, If:

1. the EPSS are less than 8.25 cents then the clawback will be 100% of any distribution or dividend;
2. the EPSS are greater than 8.75 cents then there will be no clawback;
3. the EPSS are greater than 8.25 cents but less than 8.75 cents, the clawback will be calculated using the following formulae:
   CP = 1 — ((E — 8.25 cents) / (8.75 cents — 8.25 cents))
   where
   CP = the Clawback Proportion
   E = the EPS of NSR for the relevant period

Voluntary Escrow
The Managing Director and Chief Operating Officer have agreed not to transfer any part of their vendor Stapled Securities whilst the performance hurdles apply and agree to the application of a holding lock on their vendor Stapled Securities. The exception to this escrow is if a court orders the transfer provided the transferee enters a deed agreeing to be bound by the provisions of this escrow.

SECURITY HOLDINGS OF DIRECTORS AND EXECUTIVES

The movement during the Reporting Period in the number of Stapled Securities, directly, indirectly or beneficially held by Directors and KMP senior executives, including parties related to them, is as follows:

	BALANCE 30 JUNE 2014	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	ACQUIRED	BALANCE 30 JUNE 2015
Directors of NSH					
Laurence Brindle#	1,020,400	-	-	12,000	1,032,400
Anthony Keane#	102,000	-	-	12,000	114,000
Andrew Catsoulis#	12,547,163	-	-	12,000	12,559,163
Howard Brenchley*	-	-	-	-	-
Steven Leigh*	*	*	*	*	63,000
Directors of The Responsible Entity					
Andrew Cannane	-	-	-	-	-
Christopher Green	-	-	-	-	-
Gillian Larkins	-	-	-	-	-
Michael Vainauskas***	-	-	-	-	-
Executives of NSH					
Peter Greer	5,586,735	-	-	-	5,586,735
Thomas Rice**	152,000	**	**	**	**
Stuart Owen	-	-	-	-	-
Total	**19,408,298**	**-**	**-**	**36,000**	**19,355,298**

Securities acquired were pursuant to the Security Purchase Plan (SPP) conducted during the Reporting Period
* Appointed 21 November 2014
** Resigned 13 February 2015
*** Appointed 2 March 2015

RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

ACQUISITION OF STORAGE CENTRES

As announced on 26 June 2015 NSR has purchased a portfolio of five storage centres in Christchurch, New Zealand. The centres were purchased for NZ$23 million and the transaction settled on 6 August 2015.

On 10 August 2015 NSR announced that it had entered into arrangements to acquire a self-storage asset in Croydon, Victoria. The centre will be purchased for $4.7 million and be funded via NSR's existing debt facilities. The transaction remains conditional and should it proceed, settlement is expected in September 2015.

NEW ZEALAND DENOMINATED DEBT FACILITY

Subsequent to the Reporting Date a New Zealand Dollar denominated (NZ$) debt facility for NZ$25 million has been entered into, to facilitate the recently announced Christchurch acquisitions. The facility is on terms consistent with the existing debt facilities and has been incorporated into the existing facility documentation. As at the date of this report, the New Zealand facility was drawn to NZ$23.5 million.

INVESTMENT IN PRIME DEVELOPMENT FUND

On 6 August 2015 NSR announced that it had entered into a heads of agreement with Universal Self Storage to establish the Australian Prime Storage Fund which aims to facilitate the development and ownership of multiple premium grade self-storage centres in select capital cities around Australia. NSR will be cornerstone investor in the unlisted Fund with an equity interest of up to 25% (approximately $12.5 million) via a staged contribution. NSR will undertake, and receive fees for, a range of activities on behalf of the Fund, including assisting with site identification, selection and acquisition, feasibility and providing input into design and development. The assets will be integrated onto the National Storage operating platform and managed as part of the National Storage portfolio.

PERTH DEVELOPMENT PORTFOLIO

On 11 August 2015 NSR announced it had entered into an exclusive arrangement with Parsons Group to establish the Perth Development Portfolio. The arrangement is a construction and management agreement with one of Perth's leading self-storage construction companies, Parsons Group with five sites in and around Perth having been identified. It is anticipated NSR will acquire up to three assets on completion of construction, with the remaining centres to be operated as National Storage centres by Parsons Group. The first centre at Jandakot, south of Perth, is scheduled to open in September 2015 and will be owned by Parsons Group and managed by National Storage under its third-party management platform.

ROUNDING

The amounts contained in this Directors' Report and in the Financial Report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available under ASIC Class Order 98/0100. The Consolidated Group and NSPT Group are entities 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 Cth 2001* is set out on page 61.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The Directors of NSH are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act Cth 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services conducted during the financial year:

1.	Tax compliance	$73,314
2.	Other	$74,994

FEES PAID TO AND INTERESTS HELD IN THE NSPT BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates out of NSPT property during the year are disclosed in the Statement of Comprehensive Income and are detailed in Note 18 to the financial statements.

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

INTERESTS IN THE NSPT

The movement in units on issue by the NSPT during the year is set out in note 14 to the financial statements.

This Directors' Report is made on 26 August 2015 in accordance with a resolution of the Board of Directors of National Storage Holdings Limited and is signed for and on behalf of the Directors.

Laurence Brindle
Chairman
National Storage Holdings Limited
Brisbane

Andrew Catsoulis
Managing Director
National Storage Holdings Limited
Brisbane

This Directors' Report is made on 26 August 2015 in accordance with a resolution of the Responsible Entity and is signed for and on behalf of the Responsible Entity.

Andrew Cannane
Director
The Trust Company (RE Services) Limited
Sydney

INDEPENDENCE DECLARATION

Building a better working world

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Auditor's Independence Declaration to the Directors of National Storage REIT

In relation to our audit of the financial report of National Storage REIT, a stapled entity comprised of National Storage Holdings Limited and National Storage Property Trust and its related entities for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Hayward
Partner
26 August 2015

FINANCIAL STATEMENTS 30 JUNE 2015

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended 30 June 2015

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Revenue from storage rent		55,141	39,762	-	-
Rental revenue		-	-	28,581	20,382
Revenue from sale of goods and services		3,864	2,349	345	67
Other revenue	5	4,682	3,557	787	181
Total revenue		**63,687**	**45,668**	**29,713**	**20,630**
Salaries and employee benefits expense	6	(11,579)	(6,832)	-	-
Management fees - operational		(474)	(1,573)	(474)	(2,553)
Property rates and taxes		(3,651)	(2,766)	(229)	(264)
Repairs and maintenance		(759)	(785)	(7)	-
Cost of packaging and other products sold		(834)	(548)	-	-
Depreciation and amortisation	6	(277)	(300)	-	-
Finance costs	7	(11,121)	(9,915)	(5,677)	(5,431)
Professional fees		(634)	(4,221)	(57)	(3,457)
Other operational expenses	6	(7,141)	(5,743)	(5)	(293)
Total operational expenses		**(36,470)**	**(32,683)**	**(6,449)**	**(11,998)**
Gross operating profit		**27,217**	**12,985**	**23,264**	**8,632**
Fair value adjustments	6	20,996	(4,403)	25,611	30,217
Loss on disposal of property, plant, and equipment		(1)	(92)	-	-
Other non-operational expenses		(851)	(236)	(439)	-
Share of profit of a joint venture	13	1,632	151	1,632	151
Profit before income tax		**48,993**	**8,405**	**50,068**	**39,000**
Income tax (expense) / benefit	8	(260)	7,160	-	-
Profit after tax		**48,733**	**15,565**	**50,068**	**39,000**
Profit/(loss) for the year attributable to:					
Members of National Storage Holdings Limited		(1,335)	(17,122)	50,068	39,000
Non-controlling interest (unit holders of NSPT)		50,068	32,687	-	-
		48,733	**15,565**	**50,068**	**39,000**
Basic and diluted earnings per stapled security / unit (cents)	20	16.56	11.00	17.01	21.04

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Profit after tax		**48,733**	**15,565**	**50,068**	**39,000**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges	15	(879)	(393)	(879)	(393)
Income tax relating to this item		-	-	-	-
Other comprehensive income for the year, net of tax		**(879)**	**(393)**	**(879)**	**(393)**
Total comprehensive income for the year		**47,854**	**15,172**	**49,189**	**38,607**
Total comprehensive income for the year attributable to:					
Members of National Storage Holdings Limited		(1,335)	(17,122)	49,189	38,607
Non-controlling interest (unit holders of NSPT)		49,189	32,294	-	-
		47,854	**15,172**	**49,189**	**38,607**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9.1	9,494	8,264	7,862	102
Trade and other receivables	9.2	3,972	3,767	6,954	17,642
Inventories	10.1	300	258	-	-
Other current assets	9.3	2,814	2,359	126	1,053
Total current assets		**16,580**	**14,648**	**14,942**	**18,797**
Non-current assets					
Trade and other receivables	9.2	220	220	-	-
Property, plant and equipment	10.2	832	1,447	-	-
Investment properties	10.3	592,404	381,301	465,293	305,250
Investment in joint venture	13	6,709	5,077	6,709	5,077
Other non-current assets	9.3	-	8	-	-
Intangibles	10.4	14,170	13,896	-	-
Total non-current assets		**614,335**	**401,949**	**472,002**	**310,327**
Total assets		**630,915**	**416,597**	**486,944**	**329,124**
LIABILITIES					
Current liabilities					
Trade and other payables	9.4	4,003	3,326	1,542	15,476
Finance lease liability	9.7	5,022	4,330	-	-
Deferred revenue	10.5	6,400	4,952	-	-
Provisions	10.6	1,172	1,069	-	-
Other liabilities	9.6	14,047	9,306	14,047	9,306
Total current liabilities		**30,644**	**22,983**	**15,589**	**24,782**
Non-current liabilities					
Trade and other payables	9.4	1,700	-	1,700	-
Borrowings	9.5	123,012	87,460	123,012	87,587
Finance lease liability	9.7	87,439	60,619	-	-
Other liabilities	9.6	1,272	393	1,272	393
Provisions	10.6	699	588	-	-
Deferred tax liability	8	487	227	-	-
Total non-current liabilities		**214,609**	**149,287**	**125,984**	**87,980**
Total Liabilities		**245,253**	**172,270**	**141,573**	**112,762**
Net Assets		**385,662**	**244,327**	**345,371**	**216,362**
EQUITY					
Non-controlling interest (unit holders of NSPT)		352,377	223,368	-	-
Contributed equity	14	31,419	17,758	297,191	191,499
Other reserves	15	-	-	(1,272)	(393)
Retained earnings		1,866	3,201	49,452	25,256
Total equity		**385,662**	**244,327**	**345,371**	**216,362**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2015

Attributable to securityholders of the National Storage REIT

	Notes	Contributed equity $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2014		**17,758**	**3,201**	**223,368**	**244,327**
(Loss)/Profit for the year		-	(1,335)	50,068	48,733
Other comprehensive income/(loss)	15	-	-	(879)	(879)
Total comprehensive income/(loss)		**-**	**(1,335)**	**49,189**	**47,854**
Issue of stapled securities through institutional placement	14	11,832	-	91,546	103,378
Issue of stapled securities through share purchase plan	14	1,316	-	10,184	11,500
Issue of stapled securities as part of property acquisition	14	819	-	6,333	7,152
Costs associated with issue of securities	14	(306)	-	(2,371)	(2,677)
Dividends/distributions provided for or paid	17	-	-	(25,872)	(25,872)
		13,661	**-**	**79,820**	**93,481**
Balance at 30 June 2015		**31,419**	**1,866**	**352,377**	**385,662**
Balance at 1 July 2013		**2,800**	**25,921**	**-**	**28,721**
(Loss)/Profit for the year		-	(17,122)	32,687	15,565
Other comprehensive income/(loss)	15	-	-	(393)	(393)
Total comprehensive income/(loss)		**-**	**(17,122)**	**32,294**	**15,172**
Vendor issue	14	(1,047)	-	(2,800)	(3,847)
Equity uplift upon Stapling	11	-	-	98,203	98,203
Issue of Stapled Units in Public Offering	14	16,860	-	106,944	123,804
Costs associated with Public Offering	14	(1,189)	-	(5,716)	(6,905)
Contingent consideration		334	-	3,749	4,083
Dividends/distributions provided for or paid	17	-	(5,598)	(9,306)	(14,904)
		14,958	**(5,598)**	**191,074**	**200,434**
Balance at 30 June 2014		**17,758**	**3,201**	**223,368**	**244,327**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the year ended 30 June 2015

Attributable to unitholders of the National Storage Property Trust Group

	Notes	Contributed equity $'000	Retained earnings $'000	Other reserve $'000	Total $'000
Balance at 1 July 2014		**191,499**	**25,256**	**(393)**	**216,362**
Profit for the year		-	50,068	-	50,068
Other comprehensive income/(loss)	15	-	-	(879)	(879)
Total comprehensive income/(loss)		**-**	**50,068**	**(879)**	**49,189**
Issue of stapled units through institutional placement	14	91,546	-	-	91,546
Issue of stapled units through share purchase plan	14	10,184	-	-	10,184
Issue of stapled units as part of property acquisition	14	6,333	-	-	6,333
Costs associated with issue of units	14	(2,371)	-	-	(2,371)
Distributions provided for or paid	17	-	(25,872)	-	(25,872)
		105,692	**(25,872)**	**-**	**79,820**
Balance at 30 June 2015		**297,191**	**49,452**	**(1,272)**	**345,371**
Balance at 1 July 2013		**89,322**	**(500)**	**-**	**88,822**
Profit for the year		-	39,000	-	39,000
Other comprehensive income/(loss)	15	-	-	(393)	(393)
Total comprehensive income/(loss)		**-**	**39,000**	**(393)**	**38,607**
Vendor payments	14	(2,800)	-	-	(2,800)
Issue of units in Public Offering	14	106,944	-	-	106,944
Costs associated with Public Offering	14	(5,716)	-	-	(5,716)
Contingent consideration	14	3,749	-	-	3,749
Distributions provided for or paid	17	-	(13,244)	-	(13,244)
		102,177	**(13,244)**	**-**	**88,933**
Balance at 30 June 2014		**191,499**	**25,256**	**(393)**	**216,362**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 30 June 2015

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Operating activities					
Receipts from customers		70,779	47,190	28,821	11,989
Payments to suppliers and employees		(33,353)	(25,463)	(4,182)	(6,417)
Interest received		170	631	44	104
Net cash flows from operating activities	9.1	**37,596**	**22,358**	**24,683**	**5,676**
Investing activities					
Purchase of investment properties		(153,653)	(74,156)	(133,261)	(74,156)
Improvements to investment properties		(2,133)	-	(715)	
Purchase of property, plant and equipment		(563)	(838)	-	-
Purchase of intangible assets		(218)	-	-	-
Proceeds on sale of investment properties		7,250	-	7,250	-
Proceeds on disposal of property, plant, and equipment		53	-	-	-
Acquisition of subsidiary, net of cash acquired		-	(5,828)	-	-
Investment in joint venture		-	(4,925)	-	(4,925)
Net cash flows used in investing activities		**(149,264)**	**(85,747)**	**(126,726)**	**(79,081)**
Financing activities					
Proceeds from issue of stapled securities		114,878	123,804	101,730	106,943
Transaction costs on issue of stapled securities		(2,677)	(6,905)	(2,371)	(5,716)
Distributions paid to stapled security holders		(21,131)	(2,077)	(21,131)	(5,619)
Distributions clawed back from former owners of National Storage Pty Ltd		1,990	-	1,827	-
Repayment of borrowings		(105,750)	(109,000)	(105,750)	(109,171)
Proceeds from borrowings		141,334	87,916	141,334	87,587
Payment of finance lease liabilities		(10,027)	(12,552)	-	-
Interest and other finance costs paid		(5,719)	(9,915)	(5,836)	(7,227)
Net cash flows from financing activities		**112,898**	**71,271**	**109,803**	**66,797**
Net increase in cash and cash equivalents		1,230	7,882	7,760	(6,608)
Cash and cash equivalents at 1 July		8,264	382	102	6,710
Cash and cash equivalents at 30 June	9.1	**9,494**	**8,264**	**7,862**	**102**

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. CORPORATE INFORMATION

National Storage REIT ("the Consolidated Group" or "NSR") was established in December 2013 for the purpose of establishing a joint quotation of National Storage Holdings Limited ("NSH" or "the Company") and its controlled entities ("NSH Group") and National Storage Property Trust ("NSPT" or "the Trust") and its controlled entities ("NSPT Group") on the Australian Securities Exchange ("ASX").

NSH was incorporated as the holding company for National Storage Pty Ltd ("NSPL") as part of the reorganisation to facilitate the Initial Public Offering ("IPO") as per the Prospectus and Product Disclosure Statement dated 19 November 2013 ("the PDS"). In order to establish NSR and to facilitate the IPO, units in the NSPT were stapled to the shares of NSH. The stapled securities were quoted on the ASX on 19 December 2013.

For financial reporting purposes, NSH is seen as a continuation of the NSPL entity and the accounting policies for NSPL continue to apply to NSH and the Consolidated Group. The comparative period in this report is the year ending 30 June 2014 for NSPL and its then consolidated group ("the Pre-Existing Group").

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

The financial report of NSR for the year ended 30 June 2015 was approved on 26 August 2015, in accordance with a resolution of the Board of Directors of National Storage Holdings Limited.

The financial report of NSPT for the year ended 30 June 2015 was approved on 26 August 2015, in accordance with a resolution of the Board of Directors of The Trust Company (RE Services) Limited as the responsible entity for NSPT.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have been prepared on an 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. Both National Storage Holdings Limited and National Storage Property Trust are for-profit entities 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 NSH Group and the NSPT Group in these Financial Reports are the same as the 30 June 2014 financial report except for the accounting policies impacted by new or amended Accounting Standards detailed in this note.

In this note reference to "the Group" or "Group" is used to refer to the Consolidated Group and the NSPT Group, unless otherwise indicated. The Group has elected to utilise CO 05/642 and present the NSPT Group within the financial statements of NSR. In some circumstances the categorisation of prior year comparative figures has been adjusted to conform to changes in presentation for the current financial year.

Deficiency of Net Current Assets
As at 30 June 2015, the Consolidated Group had an excess of current liabilities over current assets of $14,064,000.

Accounting standard AASB 140 *Investment Property* requires the financial lease liability to be split between current and non-current while the corresponding asset is classed as non-current. The Directors believe the excess value of the total investment property over the finance lease liability reflects the positive position in both the immediate and long-term and that sufficient cash inflows from operations will occur to enable all liabilities to be paid when due. Current liabilities also include deferred revenue of $6,400,000 associated with prepaid storage rentals which are not expected to result in a significant cash outflow. The Consolidated Group also has available funding facilities beyond 12 months of $56.5m (see note 16).

On this basis, the financial report has been prepared on a going concern basis as the Directors of NSH believe the Consolidated Group will continue to generate operating cash flows to meet all liability obligations.

The NSPT Group has an excess of current liabilities over current assets of $647,000. The deficiency in net current assets in NSPT Group is largely attributable to the distribution payable of $14,047,169. To service the distribution payment, loans receivable from the NSH Group will be called ahead of the planned payment date.

On this basis, the Directors of the Responsible Entity believe the deficiency of net current assets does not impact the going concern assumption applied in the preparation of the financial statements of the NSPT Group.

(b) Compliance with IFRS

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

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

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

The following new and amended standards relevant to the Group's activities have been adopted for the reporting period commencing 1 July 2014.

Reference	Title	Application date of standard*	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (AASB 139)	1 January 2014	1 July 2014
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders (AASB 1038)	1 January 2014	1 July 2014
AASB 1031	Materiality	1 January 2014	1 July 2014

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

Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and interpretations relevant to the Group's operations, that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2015 are outlined in the table below.

The Group is currently evaluating the full impact of AASB 9 and AASB 15, however the Group does not believe that there will be a material impact once the following accounting stands and interpretations are adopted.

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. The standard includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses.	1 January 2018	1 July 2018

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
		Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. This includes new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The new rules should make it easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. The group is in the process of assessing how its own hedging arrangements would be affected by the new rules.		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11)	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate.	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract	1 January 2017	1 July 2017*

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
		(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation The group is currently evaluating the impact of the new standard.		
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations AASB 7 Financial Instruments: Disclosures: AASB 119 Employee Benefits: AASB 134 Interim Financial Reporting:	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015

*The International Accounting Standards Board (IASB) in its July 2015 meeting confirmed its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.

(d) Basis of consolidation

The Financial Report of NSR as at and for the year ended 30 June 2015 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

The consolidated financial statements of NSPT as at and for the year ended 30 June 2015 comprises the consolidated financial statements of the NSPT Group.

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

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 losses 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.

Non-controlling interests are shown separately in the consolidated statement of profit or loss, statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

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. Neither the Consolidated Group nor the NSPT Group have any associates at 30 June 2015.

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. NSPT has a joint venture that is recognised in both the NSPT Group and the Consolidated Group. Interests in joint ventures are accounted for using the equity method.

Equity method
Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the group's share of profit or loss of associates and joint ventures is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of associates or joint ventures.

The financial statements of the associate or joint venture are prepared for the same reporting period as the group. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the 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 to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Rental and storage revenue
Revenue from the provision of storage space is recognised less any amount contractually refundable to customers over the term of the general agreement. In the NSPT Group, rental income from investment properties is recognised on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on delivery of the goods. Gains / (losses) on the sale of assets are calculated on the carrying amount in the financial statements at the last full period.

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

(f) Income tax

NSPT Group - Trust income tax
Under current Australian income tax legislation trusts within the NSPT Group are not liable to Australian income tax provided securityholders are presently entitled to the taxable income of the trusts and the trusts generally distribute their taxable income.

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

Income tax
Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

Current income tax – NSH Group
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia. Management periodically evaluates situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid.

Deferred tax – NSH Group
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the

initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either the accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation legislation
National Storage Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Accounting for the tax consolidation legislation is only relevant for the individual financial statements of the parent entity (head entity) in the tax consolidated group, but not for the consolidated financial statements.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises:
- the fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets, liabilities, and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the fair value of any previous equity interest in the acquired entity at the date of acquisition, over the fair value of the net identifiable assets acquired is recorded as goodwill. If this is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from re-measurement are recognised in profit or loss.

(h) Leases

The Consolidated Group leases properties which are classified as investment properties (refer note 10.3). The Consolidated Group also leases various items of plant and equipment. The NSPT Group does not have any finance leases for investment properties or property plant and equipment.

Leased investment properties and property, plant and equipment
Leases of investment property and property plant and equipment, where the group as lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Leasehold investment property and property, plant and equipment finance leases are capitalised at the lease's inception at the fair value of the leased property.

The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at fair value. Changes in value are presented in profit or loss.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

NSPT Group as lessor
Lease income from operating leases where the group is a lessor is recognised in income less any amount contractually refundable to customers over the term of the general agreement.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. (See note 9.2 for further information about the group's accounting for trade receivables and note 16 for a description of the group's impairment policies.)

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

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

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

Subsequent measurement
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

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

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

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

De-recognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

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

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

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

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

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

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 9.8. Movements in the hedging reserve in equity are shown in note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.
The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or finance costs.

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

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

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

(o) Property, plant and equipment

The NSPT Group does not have property, plant and equipment. The term "the group" in this note therefore applies to the Consolidated Group and the NSH Group.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Leasehold improvements - Remaining length of lease term
- Plant and equipment - 2.5 - 20 years

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) Investment properties

Freehold investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotation 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 NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold investment properties
The NSH Group, as lessee, has properties under operating leases that, in accordance with AASB 140 Investment Property, qualify for treatment as investment properties. Under this treatment, for each property, the present value of the minimum lease payments is determined and carried as a lease liability as if it were a finance lease and the fair value of the lease to the NSH Group is recorded each period as investment property under an operating lease.

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, including the corresponding tax effect. Fair values are determined using the same valuation process applied to freehold investment property.

Lease payments are allocated between the principal component of the leases liability and interest expense so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognised in finance costs in the consolidated statements of profit and loss and interest paid is presented within consolidated statements of cash flows.

(q) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets, such as goodwill, with indefinite useful lives are not amortised, but are tested for impairment at each reporting period, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed at each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Costs incurred in developing products or systems and acquiring software and licences that will contribute to future economic benefits are capitalised as an intangible asset. Costs capitalised include external direct costs of materials and service, employee costs and an appropriate portion of relevant overheads.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset. IT software is amortised over a period of five years, unless events or changes in circumstances indicate that it might be impaired in which case it is are amortised over an appropriate shorter period.

(r) Trade and other payables

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

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

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

(t) Borrowing costs

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

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Neither the Consolidated Group nor the NSPT Group have any provision for legal claims. In accordance with a lease agreement, the Consolidated Group must restore the leased premises in the Hornsby centre to its original condition at lease expiry. A provision has been recognised for the obligation to remove leasehold improvements from the leased premises (note 10.6).

(v) Employee benefits

The NSPT Group does not have any employees. Therefore this note applies only to the Consolidated Group and where the term "group" is used below, it applies only to the Consolidated Group.

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Other long-term employee benefits obligations
The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to previous experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations
All employees of the group can direct the group to make contributions to a defined contribution plan of their choice. Contributions to defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(w) Contributed equity

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

(x) Dividends and distribution to securityholders

The Consolidated Group and the NSPT Group recognise a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and is no longer at the discretion of the Company or the Responsible Entity. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

(y) Earnings per stapled security and earnings per unit (EPS)

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

Diluted earnings per stapled security adjust the figures used in the determination of basic earnings per share to take into account

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

(z) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(aa) Rounding of amounts

The Company and NSPT are of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in to the nearest thousand dollars, or in certain cases, the nearest dollar.

(bb) Parent entity financial information

The financial information for the parent entities, National Storage Holdings Limited ("NSH") and National Storage Property Trust ("NSPT"), disclosed in note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of NSH and NSPT.

Tax consolidation legislation
NSH and its wholly-owned entities have implemented the tax consolidation legislation. The head entity, NSH, and the controlled entities that are in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right.
In addition to its own current and deferred tax amounts, NSH also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate NSH for any current tax payable assumed and are compensated by NSH for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to NSH under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Consolidated Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(cc) Fair value measurement

The Consolidated Group and the NSPT Group measure financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the group.

The fair value of an asset or a 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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For further details on fair value refer to notes 9.8 and 10.7.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Consolidated Group's and the NSPT Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Consolidated Group's and the NSPT 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 judgement: classification of joint arrangement

The Consolidated Group and the NSPT Group have a 10% interest in a joint arrangement known as *The Southern Cross Group* which consists of Southern Cross Operations Pty Ltd and Southern Cross Property Trust. The joint venture has been contractually structured whereby the parties to the agreement have agreed to an equal number of director positions with equal votes and participation in decision making. The Southern Cross Group is considered a joint venture as it is a separate vehicle, being the consolidation of Southern Cross Operations Pty Ltd and Southern Cross Property Trust (see note 13).

Deferred income tax

Deferred tax assets are recognised by the NSH Group for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Consolidated Group and the NSPT Group based their assumptions and estimates on parameters available when the consolidated financial statements for both groups were prepared. Existing circumstances and assumptions about the future developments, however, may change due to market changes or circumstances arising beyond the control of the Groups. Such changes are reflected in the assumptions when they occur.

Revaluation of investment properties

The Consolidated Group and NSPT Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss under fair value adjustments. Fair values are determined by a combination of independent valuations assessed on a rotation basis and Director valuations, determined using the same techniques and similar estimates to those applied by the independent valuer. The key assumptions used to determine the fair value of the properties and the sensitivity analyses are provided in note 10.7.

Fair value of contingent consideration

The fair value of the contingent consideration (note 9.3) has been determined using a discounted cash flow analysis using expected future cash flows of the Consolidated Group. The valuation requires management of NSH to make certain assumptions about unobservable inputs to the valuation model which can impact on the expected value of the future consideration to be received.

Impairment of non-financial assets – intangibles (goodwill)

An impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Consolidated Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGU, are disclosed in note 10.4.

4. SEGMENT INFORMATION

The Consolidated Group has identified its operating segments based on the internal management information used by Directors of National Storage Holdings Limited, the Consolidated Group's chief decision makers.

The Consolidated Group operates wholly within one business and geographic segment being the operation and management of storage centres in Australia. The operating results presented in the statements of profit or loss represent the same segment information as reported to the Board of National Storage Holdings Limited.

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

5. OTHER REVENUE

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Other revenue					
Interest revenue	7	170	37	337	104
Transaction facilitation fees		-	24	-	-
Coupon fee (pre-stapling)		-	1,333	-	-
Management fees		1,807	1,147	-	-
Other revenue		2,705	1,016	450	77
Total other revenue		4,682	3,557	787	181

6. EXPENSES AND OTHER INCOME

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Depreciation and amortisation					
Depreciation of non-current assets	10.2	116	223	-	-
Amortisation of intangible assets	10.4	161	77	-	-
Total depreciation and amortisation		277	300	-	-
Other operational expenses					
Advertising and marketing		757	744	-	-
Bank charges		468	317	1	-
Electricity		1,239	973	-	-
Insurance		923	807	-	41
Communications costs		861	742	-	-
Other		2,893	2,160	4	252
Total other operational expenses		7,141	5,743	5	293
Employee benefits expense					
Wages and salaries		9,148	5,538	-	-
Post-employment benefits		877	573	-	-
Other employee costs		1,554	721	-	-
Total employee benefits expense		11,579	6,832	-	-
Minimum lease payments recognised as an operating lease expense		323	148	-	-
Fair value adjustments					
Investment property – (gain) / loss		(20,252)	2,307	(24,934)	(32,141)
Contingent consideration at fair value through profit or loss – (gain) / loss	9.8	(744)	2,096	(677)	1,924
Total fair value adjustments		(20,996)	4,403	(25,611)	(30,217)

7. FINANCE INCOME AND EXPENSES

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Finance income					
Bank interest		170	37	44	51
Interest income from related parties		-	-	293	53
Total finance income	5	170	37	337	104
Finance costs					
Interest on borrowings		5,687	1,352	5,677	5,310
Related party interest**		-	-	-	1,285
Finance charges on finance leases		5,434	8,563	-	-
Net gain on financial instruments at fair value through profit or loss*	9.6	-	-	-	(1,164)
Total finance costs		11,121	9,915	5,677	5,431

*Net gain on financial instruments at fair value through profit or loss relates to an interest rate swap that was not designated as a hedging instrument. This was closed out during the year ended 30 June 2014.
**The related party interest in 2014 relates to pre-stapling interest costs.

8. INCOME TAX

Under current tax legislation, NSPT is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unit holders. Therefore, this note applies only to the Consolidated Group and does not apply to the NSPT Group.

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Income tax expense/(benefit)		
Current tax	-	-
Deferred tax	260	(7,160)
Total income tax expense/(benefit)	260	(7,160)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations	48,993	8,405
Deduct profit before tax from Trust	(50,068)	(32,687)
Accounting profit/(loss) before income tax	(1,075)	(24,282)
Tax at the Australian tax rate of 30% (2014 – 30%)	(323)	(7,285)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Prepayments	76	45
Adjustments in respect of previous years	651	(42)
Origination and reversal of temporary differences	(144)	122
Income tax expense/(benefit)	260	(7,160)

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Deferred tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(25,391)	2,472
Decrease/(increase) in deferred tax assets acquired	-	155
Increase / (decrease) in deferred tax liabilities	25,651	(9,787)
Total income tax expense/(benefit)	260	(7,160)
Deferred tax assets and liabilities		
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Prepayments	79	3
Revaluations of investment properties	76,885	51,310
Total deferred tax liabilities	76,964	51,313
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Lease liability	73,515	47,935
Employee benefits	494	433
Accrued expenses	190	46
Carry forward losses	2,036	2,364
Formation expenses	175	234
Provision for doubtful debts	-	10
Make-good provision	67	64
Deferred tax assets expected to be recovered after more than 12 months	76,477	51,086
Net deferred tax liability	487	227

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

The Consolidated Group has tax losses recognised as a deferred tax asset, which arose in Australia, of $6,786,471 (2014: $7,881,400) that are available indefinitely for offsetting against future taxable profits of the Consolidated Group.

Tax consolidation

National Storage Pty Ltd and its then wholly-owned controlled entities implemented the tax consolidation legislation as of 1 July 2003. As a result of corporate reorganisation in December 2013, National Storage Holdings Limited became the new head entity of the tax consolidation group. Members of the new tax consolidation group include National Storage Ltd, National Storage (Operations) Pty Ltd, National Storage Investments Pty Ltd and Wine-Ark Pty Ltd. Members of the tax consolidation group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Consolidated Group's and the NSPT Group's current and non-current financial instruments including:

- an overview of all financial instruments held by both groups
- specific information about each type of financial instrument
- information about determining the fair value of the instruments, including areas of judgement, estimates and other assumptions.

The Consolidated Group and the NSPT Group hold the following financial instruments:

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Financial assets					
At amortised cost					
Cash and cash equivalents	9.1	9,494	8,264	7,862	102
Trade and other receivables	9.2	4,192	3,987	6,954	17,642
Other assets *	9.3	533	308	119	46
		14,219	12,559	14,935	17,790
At fair value through profit or loss					
Other assets *	9.3	-	1,097	-	1,007
Total financial assets		14,219	13,656	14,935	18,797
Financial liabilities					
At amortised cost					
Trade and other payables	9.4	5,703	3,326	3,242	15,476
Borrowings	9.5	123,012	87,460	123,012	87,587
Finance leases	9.7	92,461	64,949	-	-
		221,176	155,735	126,254	103,063
Derivatives used for hedging – at fair value through other comprehensive income					
Other liabilities	9.6	1,272	393	1,272	393
Total financial liabilities		222,448	156,128	127,526	103,456

*excluding prepayments

Other liabilities for the Consolidated Group and NSPT Group include a distribution payable of $14,047,169 (2014: $9,306,090) not included in the table above.

The Consolidated Group and NSPT Group's approach to financial risk management is discussed in note 16.

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.

9.1 Cash and cash equivalents

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Current assets				
Cash on hand	25	42	-	21
Cash at bank	9,469	8,222	7,862	81
Total cash and cash equivalents	9,494	8,264	7,862	102

Cash at banks earns interest at floating rates based on daily bank deposit rates.

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

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Profit after income tax	48,733	15,565	50,068	39,000
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation	116	223	-	-
Amortisation of intangible assets	161	77	-	-
Fair value adjustment to investment properties	(20,252)	2,307	(24,934)	(32,141)
Fair value adjustment of contingent consideration	(744)	2,096	(677)	1,924
Impairment - intangible assets	-	(126)	-	-
Loss on disposal of plant and equipment	1	100	-	-
Gain on disposal of investment property	(350)	-	(350)	-
Share of profit of joint venture	(1,632)	(151)	(1,632)	(151)
Finance income	(170)	(37)	(337)	(104)
Finance costs	11,121	9,915	5,677	7,227
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(205)	(1,633)	10,981	(11,393)
(Increase)/decrease in inventories	(42)	(78)	-	-
(Increase)/decrease in investment properties	-	(524)	-	(143)
(Increase)/decrease in other assets	(1,910)	1,041	(223)	212
Increase/(decrease) in payables	677	646	(13,934)	2,220
Increase/(decrease) in deferred revenue	1,448	(53)	-	-
Increase/(decrease) in borrowings	-	(456)	-	-
Increase/(decrease) in deferred tax liabilities	260	(7,374)	-	-
Increase/(decrease) in other liabilities	-	-	-	(1,079)
Increase/(decrease) in provisions	214	783	-	-
Cash flows from operating activities	**37,426**	**22,321**	**24,639**	**5,572**
Interest received	170	37	44	104
Net cash flows from operating activities	**37,596**	**22,358**	**24,683**	**5,676**

9.2 Trade and other receivables

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Current					
Trade receivables		916	697	-	-
Provision for doubtful debts		-	(44)	-	-
		916	653	-	-
Other receivables		2,526	2,041	756	827
Loans to related parties	18	530	1,073	6,198	16,815
		3,972	3,767	6,954	17,642
Non-current					
Other receivables		220	220	-	-
Total current and non-current		4,192	3,987	6,954	17,642

Classification as trade and other receivables
Trade receivables are amounts due from customers for storage rental, goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Other current receivables
Other receivables include $814,000 in the Consolidated Group, and $748,000 in the NSPT Group of clawback receivable upon payment of the final distribution (2014: Consolidated Group $890,000, NSPT Group $818,000).

Impairment of receivables
The provision for impairment (doubtful debts) of receivables represents an estimate of trade debtors that are impaired due to an inability to collect the remaining rent owing after customers goods have been sold. At 30 June 2015, the Consolidated Group recognised no provision for trade receivables (2014: $44,000). As at 30 June 2015 and 30 June 2014 the NSPT Group had no trade receivables and therefore recognised no provision.

See below for the movements in the provision for impairment of receivables in the Consolidated Group.

	2015 $'000	2014 $'000
At 1 July	44	-
Charge for the year	-	44
Utilised	(44)	-
At 30 June	-	44

The age of trade receivables not impaired was as follows:

	2015 $'000	2014 $'000
1 to 3 months	789	588
3 to 6 months	74	62
Over 6 months	53	47
	916	697

The carrying amounts of current receivables are assumed to be the same as their fair values, due to their short-term nature. The fair value of non-current receivables approximates carrying value.

9.3 Other assets

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Current				
Deposits	533	308	119	46
Contingent consideration at fair value through profit or loss (FVTPL)	-	1,097	-	1,007
Prepayments	2,281	954	7	-
Total current other assets	2,814	2,359	126	1,053
Non-current				
Prepayments	-	8	-	-
Total non-current other assets	-	8	-	-
Total current and non-current	2,814	2,367	126	1,053

Contingent consideration at FVTPL
The Vendor Stapled Securities are subject to voluntary escrow and distribution "claw back" arrangements based on the performance of National Storage REIT for each distribution period:

- if the earnings per stapled security (EPS) of National Storage REIT for a 12 month period is less than or equal to 8.25 cents then all of the distributions paid in relation to the Vendor Stapled Securities will be "clawed back";
- if the EPS of National Storage REIT is greater than 8.25 cents and is less than or equal to 8.75 cents for a 12 month period then a proportion of the distributions paid in relation to the Vendor Stapled Securities will be "clawed back"; and
- if the EPS of National Storage REIT is greater than 8.75 cents for a 12 month period then no distribution paid in relation to the Vendor Stapled Securities will be "clawed back".

The above arrangements will lapse and the Vendor Stapled Securities will become fully transferable at the earlier of:

- the EPS of National Storage REIT for a 12 months period being greater than 8.75 cents for two consecutive testing periods;
- three years in respect of Vendor Stapled Securities issued to non-executive NS Vendors; and
- five years in respect to Vendor Stapled Securities issued to executive NS Vendors who will continue as senior managers of National Storage REIT.

At the 30 June 2015 76% of the final distribution paid to Vendor Stapled Securities was "clawed back" (30 June 2014: 100%). See note 9.8 for more information on the valuation of contingent consideration.

9.4 Trade and other payables

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Current					
Trade payables		203	1,032	-	21
Other payables and accruals		3,800	2,248	1,040	678
Related party payables	18	-	46	502	14,777
Total current trade and other payables		4,003	3,326	1,542	15,476
Non-current					
Other payables and accruals		1,700	-	1,700	-
Total non-current trade and other payables		1,700	-	1,700	-
Total current and non-current		5,703	3,326	3,242	15,476

Trade payables are unsecured and are usually paid within 30 days of recognition.
The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature. The fair value of non-current trade and other payables approximates carrying value.

9.5 Borrowings

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Non-current				
Bank finance facility	123,500	87,916	123,500	87,916
Non-amortised borrowing costs	(488)	(456)	(488)	(329)
Total borrowings	123,012	87,460	123,012	87,587

The Consolidated Group and NSPT Group refinanced its debt facilities during December 2014. The facilities in place as of 30 June 2015 are on a "Club" arrangement with National Australia Bank, Westpac Banking Corporation and Commonwealth Bank of Australia. The main terms of these agreements are as follows:

- The facility limit is $200 million.
- The facility is an interest only facility with any drawn balance payable at maturity.
- The facility contains the following Tranches.

Tranche	Limit $'000	Drawn $'000	Undrawn $'000	Term	Maturity Date
1	20,000	0	20,000	1.5 Years	23 Jun 2016
2	140,000	83,500	56,500	3 Years	22 Dec 2017
3	40,000	40,000	0	5 Years	23 Dec 2019
Total	**200,000**	**123,500**	**76,500**		

- The interest rate applied is the bank bill rate (BBSY) plus a margin depending on the gearing ratio.
- Security has been granted over the Consolidated Group's owned and leased storage centre properties.

The Consolidated Group has a bank overdraft facility with a limit of $3 million that was undrawn at balance date.

The Consolidated Group and the NSPT Group have complied with the financial covenants of their borrowing facilities during the 2015 and 2014 reporting periods (see note 17).

The fair value of borrowings approximates carrying value. Details of the exposure to risk arising from current and non-current borrowings are set out in note 16.

9.6 Other liabilities

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Current					
Distribution payable	17	14,047	9,306	14,047	9,306
Non-current					
Financial liabilities (derivatives)	9.8	1,272	393	1,272	393
Total other liabilities		15,319	9,699	15,319	9,699

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless designated as a cash flow hedge. 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.

At 30 June 2015, the Consolidated Group and the NSPT Group had various interest rate swap agreements in place with a notional amount of $110,000,000 (2014: $30,000,000) whereby the Consolidated Group and the NSPT Group pay a fixed rate of interest of 2.84% (2014: 3.42%) and receive interest at a variable rate equal to BBSY plus a margin on the notional amount. The swap is being used to hedge the exposure to changes in cash flows arising from its secured variable interest rate loan and has been designated as a cash flow hedge, recognised through other comprehensive income.

In the prior reporting period, the NSPT Group had interest rate swap agreements in place with a notional amount of $109,490,000 whereby the NSPT Group paid a fixed rate of interest of 4.89% and received interest at a variable rate equal to BBSW. The NSPT Group elected not to account for this instrument as an effective hedge; as such, the movement in fair value in 2014 of $1,164,000 was recognised in finance costs. This interest rate swap was closed out during the year ended 30 June 2014.

9.7 Finance leases

The NSPT Group does not have any finance lease liabilities. The Consolidated Group has finance leases for investment properties and items of plant and machinery. These leases have terms of renewal but no purchase options. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments are as follows:

	2015		2014	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Consolidated Group				
Within one year	10,821	5,022	9,098	4,330
After one year but not more than five years	43,902	24,171	38,923	19,557
More than five years	83,561	63,268	55,124	41,062
Minimum lease payments	138,284	92,461	103,145	64,949
Future finance charges	(45,823)	-	(38,196)	-
Recognised as a liability/present value of minimum lease payments	92,461	92,461	64,949	64,949

9.8 Financial instruments fair value measurement

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the financial instruments recognised in the financial statements, as detailed in notes 9.1 to 9.7. 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
- The fair value of the derivative contingent consideration is calculated using a discounted cash flow analysis using expected future cash flows of the Consolidated Group.

The resulting fair value estimates for interest rate swaps are included in Level 2. The fair value estimates for the derivative contingent consideration is included in level 3 where the fair value has been determined based on present values and the discount rate used was adjusted for counterparty or own credit risk.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Group					
At 30 June 2015					
Financial assets					
Derivative - contingent consideration	9.3	-	-	-	-
Financial liabilities					
Derivative used for hedging - Interest rate swap	9.6	-	1,272	-	1,272
Consolidated Group					
At 30 June 2014					
Financial assets					
Derivative – contingent consideration	9.3	-	-	1,097	1,097
Financial liabilities					
Derivative used for hedging - Interest rate swap	9.6	-	393	-	393

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
NSPT Group					
At 30 June 2015					
Financial assets					
Derivative - contingent consideration	9.3	-	-	-	-
Financial liabilities					
Derivative used for hedging - Interest rate swap	9.6	-	1,272	-	1,272
NSPT Group					
At 30 June 2014					
Financial assets					
Derivative – contingent consideration	9.3	-	-	1,007	1,007
Financial liabilities					
Derivative used for hedging - Interest rate swap	9.6	-	393	-	393

There were no transfers between levels of fair value hierarchy during the year ended 30 June 2015.

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents changes in level 3 financial instruments:

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Opening balance 1 July	1,097	-	1,007	-
Derivative - contingent consideration initially recognised in contributed equity	-	4,083	-	3,749
Distribution receivable (clawback)	(1,841)	(890)	(1,684)	(818)
Derivative - contingent consideration recognised in profit or loss	744	(2,096)	677	(1,924)
Closing balance 30 June	-	1,097	-	1,007

A distribution clawback agreement was entered into as part of the purchase agreement with the previous owners of National Storage Pty Ltd.

The fair value of the contingent consideration has been determined using a discounted cash flow analysis on the expected future cash flows of the Consolidated Group. The valuation includes certain assumptions over unobservable inputs to the model including the assessment of expected future net profits, and setting of an appropriate discount rate. A 2% change in the discount rate would not have any material effect on the fair value in 2015 or 2014. A decrease of 2% in the stapled net profit after tax would increase fair value by $292,000 (2014: $305,000). An increase of 2% in the stapled net profit after tax would have no impact on fair value in 2015 as expected future net profits are already projected to be above clawback hurdles (2014: decrease $120,000). There were no significant inter-relationships between unobservable inputs that materially affect fair values.

10. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Consolidated Group's and the NSPT Group's non-financial assets and liabilities including:

- an overview of all non-financial assets and liabilities held by the both groups
- specific information about each type of non-financial asset and non-financial liability
- information about determining the fair value of the non-financial assets and liabilities, including areas of judgement, estimates and other assumptions.

10.1 Inventories

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Finished goods - at cost	300	258	-	-

Inventories recognised as an expense during the year ended 30 June 2015 amounted to $834,000 (2014: $548,000). These were included in *cost of packaging and other products sold*.

10.2 Property, plant and equipment

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
At cost	1,439	4,251	-	-
Accumulated depreciation	(607)	(2,804)	-	-
Total property, plant and equipment	832	1,447	-	-

Reconciliation of the carrying amounts for each class of property, plant and equipment at the beginning and end of the current financial period are shown below:

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Plant and equipment				
Carrying amount at beginning of the year	1,447	931	-	-
Additions	563	509	-	-
Disposals	(54)	(100)	-	-
Items reclassified as investment property	(1,008)	-	-	-
Additions through acquisition of entities	-	330	-	-
Depreciation	(116)	(223)	-	-
Carrying amount at end of the year	832	1,447	-	-

Plant and equipment under finance lease arrangements included in the totals noted above are as follows:

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Leasehold plant and equipment at cost	48	48	-	-
Accumulated depreciation	(18)	(12)	-	-
Carrying amount	30	36	-	-

10.3 Investment properties

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Investment properties at valuation					
Leasehold investment properties	10.7	125,304	76,051	-	-
Freehold investment properties	10.7	467,100	305,250	465,293	305,250
Total investment properties		592,404	381,301	465,293	305,250
Leasehold investment properties					
Opening balance		76,051	201,328	-	-
Elimination through stapling		-	(95,403)	-	-
Fair value adjustment arising on stapling		-	(20,515)	-	-
Property acquisitions		42,742	-	-	-
Items reclassified from property, plant, and equipment		190	-	-	-
Improvements to investment properties		335	-	-	-
Reassessment of lease terms		10,574	-	-	-
Net gain / (loss) from fair value adjustments		(4,588)	(9,359)	-	-
Closing balance		125,304	76,051	-	-
Freehold investment properties					
Opening balance		305,250	-	305,250	198,810
Acquired through stapling		-	203,003	-	-
Fair value adjustment arising on stapling		-	20,515	-	20,515
Improvements to investment properties		1,798	524	715	143
Property acquisitions		141,294	74,156	141,294	74,156
Property disposals		(6,900)	-	(6,900)	-
Items reclassified from property, plant and equipment		818	-	-	-
Net gain from fair value adjustments		24,840	7,052	24,934	11,626
Closing balance		467,100	305,250	465,293	305,250
Unrealised gains/(losses) for the period included in profit or loss (recognised in *fair value adjustments)*		20,252	(2,307)	24,934	32,141

Adjustment upon stapling
In December 2013 the National Storage REIT was formed by the stapling of the shares in NSH and the units in NSPT. Prior to stapling, the NS Group had leasehold investment properties where the lessor/owner/landlord was NSPT. On stapling the Consolidated Group reclassified these leasehold investment properties to freehold investment properties residing within NSPT. A fair value adjustment of $20,515,000 was recognised to increase the value associated with the property portfolio.

Significant estimate
Leasehold and freehold investment properties are held for lease to customers requiring self-storage facilities. They are carried at fair value. Changes in fair value are presented in profit or loss under fair value adjustments. Information about the valuation of leasehold investment properties is provided in note 10.7.

Leasing arrangements
The Consolidated Group leasehold and freehold investment properties are largely leased to customers under a short-term lease with most rentals payable monthly in advance. Most leases can be terminated by either party giving not less than seven days' notice.

The NSPT Group's investment properties are leased to entities within the NSH Group under long-term finance leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Within one year	31,460	25,586
Later than one year but not later than five years	98,250	145,603
Later than five years	46,196	13,114
	175,906	184,303

Contractual obligations
The Consolidated Group is required to restore the leased premises in the Hornsby centre to their original condition at the end of lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements (refer to note 10.7).

Leasehold and freehold investment properties pledged as security
Refer to note 9.5 for information on non-current assets pledged as security.

10.4 Intangibles

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Goodwill					
Opening net book amount		13,542	129	-	-
Arising on stapling	11	-	7,005	-	-
Acquisition of entity	11	-	6,384	-	-
Other		217	24	-	-
Closing net book amount		13,759	13,542	-	-
Software					
Opening net book amount		354	305	-	-
Additions		218	126	-	-
Amortisation	6	(161)	(77)	-	-
Closing net book amount		411	354	-	-
Total intangibles		14,170	13,896	-	-

Goodwill is an asset acquired through business combinations, these acquisitions include the purchase of Strategic Storage Consulting Pty Ltd and the stapling of the shares of NSH and the units of NSPT.

Impairment testing of goodwill
Goodwill arising on stapling and the acquisition of SSC has been allocated to the listed group (NSR). Management have determined that the listed group is the appropriate cash generating unit against which to allocate these intangible assets owing to the synergies arising from combining the portfolios of the NSH Group and NSPT Group and the transfer of the management functions and associated revenues and expenses to the Consolidated Group.

The recoverable amount of the listed group has been determined based on the fair value less costs of disposal method using the fair value quoted on an active market. As at 30 June 2015 NSR had 334,456,409 stapled securities quoted on the Australian Securities Exchange (ASX) at $1.675 per security providing a market capitalisation of $560,214,485 (2014: 311,019,312). This amount is in excess of the carrying amount of the Consolidated Group's net assets. Had the security price decreased by 10% the market capitalisation would still have been in excess of the carrying amount.

10.5 Deferred revenue

	Consolidated Group		NSPT Group	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred storage rent revenue	6,400	4,952	-	-

Deferred storage rent revenue represents funds received in advance from customers for rental storage.

10.6 Provisions

	Consolidated Group		NSPT Group	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current				
Annual leave	683	707	-	-
Long service leave	489	362	-	-
	1,172	1,069	-	-
Non-current				
Make good provision	223	214	-	-
Annual leave	142	-	-	-
Long service leave	334	374	-	-
	699	588	-	-
Reconciliation of movement in make good provision				
Opening balance	214	221	-	-
Provision raised/(amortised)	9	(7)	-	-
Amounts used	-	-	-	-
Closing balance	223	214	-	-

The Consolidated Group is required to restore the leased premises in the Hornsby centre to their original condition at the end of lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the asset.

10.7 Non-financial assets fair value measurement

The group has classified its non-financial assets into the three levels prescribed in note 9.8 to provide an indication about the reliability of inputs used to determine fair value.

Investment properties	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Group					
At 30 June 2015					
Leasehold	10.3	-	-	125,304	125,304
Freehold	10.3	-	-	467,100	467,100
		-	-	592,404	592,404
At 30 June 2014					
Leasehold	10.3	-	-	76,051	76,051
Freehold	10.3	-	-	305,250	305,250
		-	-	381,301	381,301
NSPT Group					
At 30 June 2015					
Leasehold	10.3	-	-	-	-
Freehold	10.3	-	-	465,293	465,293
		-	-	465,293	465,293
At 30 June 2014					
Leasehold	10.3	-	-	-	-
Freehold	10.3	-	-	305,250	305,250
		-	-	305,250	305,250

Recognised fair value measurements
The Consolidated Group's and the NSPT Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were no transfers in and out of Level 3.

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 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 Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotation 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 NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

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

	Consolidated Group		NSPT Group	
	External valuation %	Internal valuation %	External valuation %	Internal valuation %
Year ended 30 June 2015				
Leasehold	23%	77%	-	-
Freehold	26%	74%	26%	74%
Year ended 30 June 2014				
Leasehold	10%	90%	-	-
Freehold	19%	81%	19%	81%

The Consolidated Group and NSPT Group also obtained external valuations on 12 freehold investment properties and 3 leasehold properties acquired during the reporting period. These external valuations provide the basis of the Directors valuations applied to these properties at 30 June 2015. Including these valuations, 54% of freehold investment properties, and 46% of leasehold properties were subject to external valuations during the year.

Valuation inputs and relationship to fair value

The following table presents the significant unobservable inputs in level 3 valuations:

Description	Valuation technique	Significant unobservable inputs		Range at 30 June 2015	Range at 30 June 2014
Investment properties - leasehold	Capitalisation method	Capitalisation rate	Primary	9% to 26%	10% to 40%
			Secondary	12% to 29%	11% to 50%
		Sustainable occupancy		77% to 96%	75% to 93%
		Stabilised average EBIT		$426,883	$405,038
Investment properties - freehold	Capitalisation method	Capitalisation rate	Primary	8% to 11%	9% to 12%
			Secondary	11% to 14%	10% to 14%
		Sustainable occupancy		68% to 94%	65% to 95%
		Stabilised average EBIT		$986,043	$980,526

Under the income capitalisation method, a property's fair value is estimated based on the stabilised average earnings before interest and tax (EBIT) generated by the property, which is divided by the capitalisation rate (the investor's required rate of return). The capitalisation rate is derived from recent sales of similar properties. The capitalisation rate adopted reflects the inherent risk associated with the property. For example, if the lease expiry profile of a particular property is short, the capitalisation rate is likely to be higher to reflect additional risk to income. The higher capitalisation rate then reduces the valuation of the property.

The stabilised average EBIT is derived from a property's revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, forecast non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. Generally, an increase in stabilised average EBIT 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 EBIT.

Investment properties are valued on a highest and best use basis. The current use of all of the investment properties (self-storage) is considered to be the highest and best use.

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

At 30 June 2015:

Unobservable inputs		Leasehold Increase/ (decrease) in input	Leasehold Increase/ (decrease) In fair value $'000	Freehold Increase/ (decrease) in input	Freehold Increase/ (decrease) in fair value $'000
Capitalis-ation rate	Primary	5% / (5%)	(1,350) / 2,950	1% / (1%)	(31,350) / 39,650
	Secondary	7% / (7%)	(900) /2,200	2% / (2%)	(9,700) / 13,500
Sustainable occupancy		5% / (5%)	1,600 / (1,700)	5% / (5%)	22,150 / (22,450)
Stabilised average EBIT		5% / (5%)	300 / (450)	5% / (5%)	12,650 / (12,800)

At 30 June 2014:

Unobservable inputs		Leasehold Increase/ (decrease) in input	Leasehold Increase/ (decrease) In fair value $'000	Freehold Increase/ (decrease) in input	Freehold Increase/ (decrease) in fair value $'000
Capitalis-ation rate	Primary	1% / (1%)	(360) / 770	1% / (1%)	(22,330) / 27,460
	Secondary	2% / (2%)	(200) / 500	2% / (2%)	(6,210) / 8,670
Sustainable occupancy		5% / (5%)	1,540 / (1,330)	5% / (5%)	12,250 / (12,650)
Stabilised average EBIT		5% / (5%)	760 / (450)	5% / (5%)	11,180 / (11,490)

11. BUSINESS COMBINATIONS

The Consolidated Group and NSPT Group made no business combinations during the current reporting period.

Business combinations in the reporting period ended 30 June 2014.

Stapling of National Storage Holdings Limited and National Storage Property Trust

On 19 December 2013, the shares in NSH and the units in NSPT were stapled pursuant to a stapling deed. Under AASB 3, it was deemed that NSH gained control over NSPT by way of stapling with no ownership. The fair values of the identifiable assets and liabilities of NSPT as at the date of acquisition were:

Assets	**$'000**
Cash at Bank	50
Prepayments	137
Investment properties - freehold	203,003
	203,190
Liabilities	
Trade and other payables	(2,502)
Bank Loan	(109,490)
	(111,992)
Net identifiable assets at fair value	91,198
Non-controlling interests measured at fair value	(98,203)
Goodwill arising on acquisition	7,005
Purchase consideration transferred	-

The Consolidated Group measured the non-controlling interest at fair value with reference to the underlying assets and liabilities. The major component of assets is investment properties which were subject to a Director's valuation at 19 December 2013 supported by external valuations performed by m3property. The bank loan was recognised at fair value at acquisition date.

Acquisition of Strategic Storage Consulting Pty Ltd

On 19 December 2013, the Consolidated Group acquired 100% of shares of Strategic Storage Consulting Pty Ltd. The fair values of the identifiable assets and liabilities of Strategic Storage Consulting Pty Ltd as at the date of acquisition were:

Assets	**$'000**
Plant and equipment	282
Other receivables	2,284
	2,566
Liabilities	
Other payables	(3,122)
	(3,122)
Total identifiable net assets at fair value	(556)
Goodwill arising on acquisition	6,384
Purchase consideration transferred	5,828
Analysis of cash flows on acquisition	
Cash paid	5,828
Transaction costs (expensed and included in other operational expenses)	33
Net cash outflow on acquisition	5,861

The goodwill of $6,384,000 comprises the intangible assets associated with the business, including but not limited to reputation and operational procedures.

Acquisition of NS APAC Trust

On 19 December 2013, the NSPT acquired NS APAC Trust. The fair values of the identifiable assets and liabilities of NS APAC Trust as at the date of acquisition were:

Investment in associate	**$'000**
(10% interest in Southern Cross Storage Group)	4,750
Total identifiable net assets at fair value	4,750
Goodwill arising on acquisition	-
Purchase consideration transferred	4,750
Analysis of cash flows on acquisition	
Cash paid	4,750
Transaction costs (expensed and included in other operational expenses)	25
Net cash outflow on acquisition	4,775

There was no goodwill arising on acquisition.

This acquisition of the joint venture was equity accounted under AASB 11 *Joint Arrangements.* Therefore only the Consolidated Group's and the NSPT Group's share of net profit is recognised in the consolidated accounts

12. INFORMATION RELATING TO SUBSIDIARIES

The holding entities

The ultimate holding company of the NSH Group is National Storage Holdings Limited. NSH was incorporated on 1 November 2013. As at 30 June 2013, the holding company was National Storage Pty Ltd (refer note 1).

The holding entity of the NSPT Group is National Storage Property Trust. These two entities are domiciled in Australia and through a stapling agreement are jointly quoted on the ASX.

The consolidated financial statements of the NSH Group as at 30 June 2015 include:

Name of Controlled Entity	Place of incorporation	Equity interest 2015	Equity interest 2014
National Storage Pty Ltd	Australia	100%	100%
National Storage (Operations) Pty Ltd	Australia	100%	100%
National Storage Investments Pty Ltd	Australia	100%	100%
National Storage Financial Services Pty Ltd*	Australia	100%	-
Wine Ark Pty Ltd	Australia	100%	100%
Strategic Storage Consulting Pty Ltd	Australia	100%	100%

*Registered on 18 July 2014.

The consolidated financial statements of the NSPT Group include:

Name of Controlled Entity	Place of domicile	Equity interest 2015	Equity interest 2014
NS APAC Trust	Australia	100%	100%
National Storage Investment Trust	Australia	100%	100%
National Storage Victoria Property Trust	Australia	100%	100%

Joint venture

The NSPT Group has a 10% interest in Southern Cross Storage Group (2014: 10%).

13. INTEREST IN A JOINT VENTURE

On 19 December 2013 the NSPT Group (and as a result the Consolidated Group) acquired a 10% interest in Southern Cross Storage Group which consists of Southern Cross Operations Pty Ltd and Southern Cross Property Trust.

The Southern Cross Storage Group owns storage centres operated under the National Storage brand and is managed by NSH subsidiary National Storage Operations Pty Ltd. Southern Cross Storage Group entities are not listed on any public exchange. The principle place of business of the joint venture is Australia. The Consolidated Group's and the NSPT Group's interest in the Southern Cross Group is accounted for using the equity method in the consolidated financial statements.

Significant judgement: classification of joint arrangement

Joint control of the joint venture has been contractually structured whereby the parties to the agreement have agreed to an equal number of director positions with equal votes and participation in decision making. The Southern Cross Storage Group is considered a joint venture as it is a separate vehicle, being the consolidation of Southern Cross Operations Pty Ltd and Southern Cross Property Trust.

Summarised financial information

The tables below provide summarised financial information for the Southern Cross Group joint venture. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not the Consolidated Group's or the NSPT Group's share of those amounts. Where necessary they have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised statement of financial position	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	1,424	2,848
Other current assets	1,651	9,084
Total current assets	3,075	11,932
Non-current assets	239,790	216,619
Total assets	242,865	228,551
Current liabilities		
Financial liabilities (excluding trade payables)	234	161
Other current liabilities	6,324	17,161
Total current liabilities	6,558	17,322
Non-current liabilities		
Financial liabilities (excluding trade payables)	107,340	107,457
Other non-current liabilities	4,622	166
Total non-current liabilities	111,962	107,623
Total liabilities	118,520	124,945
Net assets	124,345	103,606
Summarised statement of profit or loss for the year ended 30 June		
Revenue	26,664	25,237
Administration expenses	(11,736)	(11,251)
Depreciation and amortisation	(4,017)	(4,032)
Interest expense	(6,180)	(7,039)
Accounting policy alignment **	24,411	1,354
Profit before tax	29,142	4,269
Income tax expense	-	-
Profit for the year from continuing operations	29,142	4,269
Less pre-acquisition profit	-	(1,561)
Profit attributable to the Consolidated and NSPT Group	29,142	2,708
Consolidated Group's and NSPT Group's share in % *	5.6%	5.6%
Reconciliation to carrying amounts		
Opening investment in joint venture	5,077	-
Acquisition of joint venture	-	4,750
Contribution to investment during the period	-	176
Share of profit for the period	1,632	151
Carrying amount	6,709	5,077
Dividends/distributions received from joint venture	-	-

* Under the terms of the *Southern Cross Investors Agreement* the payment of progressive operating returns are subject to the passing of certain hurdles before NS APAC will receive any payment. At the conclusion of the investment period NS APAC is entitled to returns on a similar basis. The percentage share of profit recognised by the NSPT Group and the Consolidated Group is therefore not directly reflective of the percentage of equity share.
** Southern Cross measures investment properties at historical cost less depreciation and does not apply hedge accounting to financial liabilities. An adjustment has been made to align these accounting policies with those of the Consolidated Group and NSPT Group.

The joint venture had no contingent liabilities or capital commitments as at 30 June 2015 or 30 June 2014.

14. CONTRIBUTED EQUITY

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Issued and Paid Up Capital				
Ordinary shares	31,419	17,758	-	-
Units	-	-	297,191	191,499
	31,419	17,758	297,191	191,499

Number of Stapled Securities on Issue	Consolidated Group 2015 No. of shares	Consolidated Group 2014 No. of shares	NSPT Group 2015 No. of units	NSPT Group 2014 No. of units
Opening balance at 1 July				
Ordinary shares	244,897,096	2,000	-	-
Units	-	-	244,897,096	93,055,632
Restructure distribution	-	93,055,632	-	-
Public offering	-	126,329,260	-	126,331,260
Vendor issue	-	25,510,204	-	25,510,204
Institutional placements	75,559,313	-	75,559,313	-
Security purchase plan	9,200,000	-	9,200,000	-
Script issue on property acquisition	4,800,000	-	4,800,000	-
Closing balance at 30 June	334,456,409	244,897,096	334,456,409	244,897,096

As at 30 June 2015 there were 334,456,409 stapled securities on issue equivalent to the number of issued NSH shares and NSPT units (30 June 2014: 244,897,096). The issued units of NSPT are not owned by the Company (NSH) and therefore are shown under non-controlling interest in the statement of financial position.

Terms and Conditions of Contributed Equity
Stapled securities
A stapled security represents one share in NSH and one unit in NSPT. Stapled securityholders have the right to receive declared dividends from NSH and distributions from NSPT and are entitled to one vote per stapled security at securityholders' meetings. Holders of stapled securities can vote their shares and units in accordance with the Corporations Act 2001, either in person or by proxy, at a meeting of either NSH or NSPT. The stapled securities have no par value.

In the event of the winding up of NSH and NSPT, stapled securityholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held. Ordinary stapled securityholders rank after all creditors in repayment of capital.

Units
Each unit represents a right to an individual share in NSPT per the Constitution. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the NSPT.

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

15. OTHER RESERVES

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Cash flow hedge					
Opening balance at 1 July		-	-	(393)	-
Revaluation – gross*		-	-	(879)	(393)
Closing balance at 30 June		-	-	(1,272)	(393)

*Gross revaluation excludes deferred tax as tax does not apply to the NSPT Group under current legislation.

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

The cash flow hedge is included in non-controlling interest in the Consolidated Group and is not classified within other reserves.

16. FINANCIAL RISK MANAGEMENT

This note explains the Consolidated Group's and NSPT Group's exposure to financial risks and how these risks could affect future financial performance.

The Consolidated Group's and the NSPT 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. Both Groups use, when necessary, derivative financial instruments such as interest rate swaps to hedge certain market risk exposures.

Risk management for the Consolidated Group and the NSPT Group is carried out by the NSH Board and key management personnel of NSH. The Board of Directors of NSH analyses, on behalf of the Consolidated Group and NSPT Group, interest rate exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

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

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Non-current liabilities					
Interest rate swap contract – cash flow hedge	9.6	(1,272)	(393)	(1,272)	(393)
Current assets					
Contingent consideration	9.3	-	1,097	-	1,007

Classification of derivatives
Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as 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 Consolidated Group's and NSPT Group's accounting policy for cash flow hedges is set out in note 2(n). For hedged forecast transactions that result in the recognition of a non-financial asset, the groups have elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

Fair value measurement
For information about the methods and assumptions used in determining fair values of derivatives refer to note 9.8.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, currency risk and other price risk, such as equity price and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. Neither the Consolidated Group nor the NSPT Group were exposed to foreign currency risk or price risk during the reporting period.

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 Consolidated Group's and the NSPT 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 Consolidated Group and the NSPT Group manage interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this interest rate risk interest rate swaps are entered into, in which it is agreed 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 2015, after taking into account the effect of interest rate swaps, approximately 89.1% of the Consolidated Group's borrowings are at a fixed rate of interest (2014: 34.1%).

The Consolidated Group and NSPT Group have the following interest rate hedges in place as at the end of the reporting period.

Swap	Amount $'000	Fixed Rate	Floating Rate*	Effective Date	Term	Maturity Date
1[a]	30,000	3.420%	BBSY	24 March 2014	2.75 Years	23 Dec 2016
2[b]	40,000	2.490%	BBSY	23 December 2014	3.0 Years	22 Dec 2017
3[b]	40,000	2.765%	BBSY	23 December 2014	5.0 Years	23 Dec 2019
Total	**110,000**					

* - BBSY – Bank Bill Swap Bid Rate
[a] - In place at the end of the prior reporting period.
[b] – New Swaps entered into during the current reporting period.

As at the end of the reporting period, the Consolidated Group and the NSPT Group had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated Group and NSPT Group	2015 Weighted average interest rate %	2015 Balance $'000	2015 % of total loans	2014 Weighted average Interest rate %	2014 Balance $'000	2014 % of total loans
Bank loans	3.28%	123,500	100%	4.19%	87,916	100%
Interest rate swaps (notional principal amount)	2.84%	(110,000)		3.42%	(30,000)	
Net exposure to cash flow interest rate risk		13,500	10.9%		57,916	65.9%

Amounts recognised in profit or loss
During the year, the following amounts were recognised in profit or loss in relation to interest rate swaps.

	Consolidated Group		NSPT Group	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current liabilities				
Gain recognised in profit or loss	-	-	-	1,164

Interest rate sensitivity
Based on the simulations performed, the annual impact on profit or loss of a one per cent shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $135,000 (2014: $579,000) for the Consolidated Group and the NSPT Group. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a reduced volatility compared to prior years.

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 Consolidated Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments. The NSPT Group has the same risk as the Consolidated Group except that trade debtors relate to the Consolidated Group entity, National Storage Operations Pty Ltd.

Trade receivables
The exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of each customer. The Consolidated Group's customer credit risk is managed by requiring customers to pay monthly rentals in advance. The Directors are of the opinion that customer credit risk is reduced through a contractual lien over the contents stored in the rented units. The terms of the storage agreement provide for the auction of the customer's stored contents to recover any unpaid amounts. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management.

At 30 June 2015 and 30 June 2014 the Consolidated Group has no significant concentrations of credit risk with respect to trade receivables, whether through exposure to individual customers, specific industry sectors and/or regions within Australia.

The NSPT Group's customer credit risk is managed by renting the majority of properties to the Consolidated Group entity National Storage Operations Pty Ltd. Other non-related parties are rented facilities and these rental revenues are not significant compared with related party rental revenues.

The Consolidated Group's and the NSPT Group's maximum exposure to credit risk, is the carrying amount of those assets as indicated in the statement of financial position. For a summary of the Consolidated Group's and the NSPT Group's exposure to credit risk relating to receivables at the end of the financial year refer to note 9.2.

Cash and cash equivalents
The Consolidated Group's and the NSPT Group's credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk for the components of the statement of financial position at 30 June 2015 and 30 June 2014 is the carrying amounts as indicated in the statement of financial position.

Guarantees
Credit risk also arises in relation to financial guarantees given to certain parties. (Refer to notes 19 and 20 for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

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. NSH on behalf of the Consolidated Group and the NSPT Group has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring cash flows on a daily basis as well as forecasting cash flows on a medium and long-term basis.
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows.
- Maintaining adequate reserves and support facilities.
- Monitoring liquidity ratios and all constituent elements of working capital.
- Maintaining adequate borrowing and finance facilities.

Financing arrangements
The Consolidated Group and the NSPT Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated Group		NSPT Group	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Floating rate				
Expiring within one year (bank overdraft)	3,000	3,000	3,000	3,000
Expiring within one year (bank loans)	20,000	-	20,000	-
Expiring beyond one year (bank loans)	56,500	12,084	56,500	12,084
	79,500	15,084	79,500	15,084

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The secured bank loans may be drawn at any time and is subject to an annual review. Further details of the bank loans are detailed in note 9.5 and note 17.

Maturity of financial liabilities

The tables below analyse the financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date. The groupings are split into all non-derivative financial liabilities and net gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of cash flows. As amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments, these balances will not necessarily agree with the amounts disclosed on the statement of financial position.

Consolidated Group	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 2015						
Non-derivatives						
Trade and other payables	-	4,003	-	1,700	-	5,703
Borrowings	-	1,142	3,437	132,806	-	137,385
Finance leases	-	2,773	8,047	43,902	83,561	138,283
Distribution payable	-	14,047	-	-	-	14,047
Total non-derivatives	-	21,965	11,484	178,408	83,561	295,418
Derivatives						
Inflows	-	-	-	-	-	-
Outflows	-	202	609	1,361	-	2,172
Total derivatives	-	202	609	1,361	-	2,172
	-	22,167	12,093	179,769	83,561	297,500

At 30 June 2014	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives						
Trade and other payables	-	3,280	-	-	-	3,280
Borrowings	-	930	2,762	93,470	-	97,162
Finance leases	-	2,275	6,823	38,923	55,124	103,145
Distribution payable	-	9,306	-	-	-	9,306
Total non-derivatives	-	15,791	9,585	132,393	55,124	212,893
Derivatives						
Inflows	-	(208)	(599)	(1,357)	-	(2,164)
Outflows	-	259	767	1,543	-	2,569
Total derivatives	-	51	168	186	-	405
	-	15,842	9,753	132,579	55,124	213,298

NSPT Group	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 2015						
Non-derivatives						
Trade and other payables	-	1,542	-	1,700	-	3,242
Borrowings	-	1,142	3,437	132,806	-	137,385
Distribution payable	-	14,047	-	-	-	14,047
Total non-derivatives	-	16,731	3,437	134,506	-	154,674
Derivatives						
Inflows	-	-	-	-	-	-
Outflows	-	202	609	1,361	-	2,172
Total derivatives	-	202	609	1,361	-	2,172
	-	16,933	4,046	135,867	-	156,846

At 30 June 2014	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives						
Trade and other payables	-	698	6,547	-	-	7,245
Borrowings	-	930	2,762	93,470	-	97,162
Distribution payable	-	9,306	-	-	-	9,306
Total non-derivatives	-	10,934	9,309	93,470	-	113,713
Derivatives						
Inflows	-	(208)	(599)	(1,357)	-	(2,164)
Outflows	-	259	767	1,543	-	2,569
Total derivatives	-	51	168	186	-	405
	-	10,985	9,477	93,656	-	114,118

17. CAPITAL MANAGEMENT

The Consolidated Group's and the NSPT Group's objectives, when managing capital, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to securityholders and to maintain an optimal structure to reduce the cost of capital. The primary objective of the Group's capital management is to maximise value for the securityholder. The Responsible Entity has outsourced capital management for the NSPT Group to NSH under a management agreement effective from 19 December 2013.

In order to achieve this objective, the Consolidated Group's and the NSPT Group's capital management strategy, aims to ensure that they meet financial covenants attached to interest-bearing loans and borrowings. Breaches in meeting a financial covenant would permit the lender to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Consolidated Group and the NSPT Group manage their capital structure and make adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Consolidated Group and the NSPT Group may adjust the dividend/distribution payment to securityholders, return capital to securityholders or issue new securities. The Consolidated Group and the NSPT Group monitor capital using a gearing ratio, represented by net debt divided by total capital plus net debt. The Consolidated Group's and NSPT's policy is to keep the gearing ratio between 20% and 40%. Net debt includes interest bearing loans and borrowings, less cash and short-term deposits, excluding discontinued operations.

	Notes	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Interest bearing loans	9.5	123,500	87,916	123,500	87,916
Less: cash and short term deposits	9.1	(9,494)	(8,264)	(7,862)	(102)
Net Debt		114,006	79,652	115,638	87,814
Total equity		384,362	244,327	344,071	216,362
		498,368	323,979	459,709	304,176
Gearing ratio		23%	25%	25%	29%

Loan covenants

Under the terms of the borrowing facilities as a financial covenant the Consolidated Group and the NSPT Group are required to ensure that the gearing ratio must not be more than 50% and the ratio of earnings before interest, tax, depreciation and amortisation to finance costs must exceed a multiple of two. For the purposes of the financial covenants gearing is defined as total borrowings divided by total borrowings plus equity. Both the Consolidated Group and the NSPT Group have complied with these covenants throughout the reporting period.

Dividends and distributions

Ordinary share dividends	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Recognised amounts		
National Storage Pty Ltd final franked dividend for 2013 of $2,799 per share declared on 24 October 2013.	-	5,598
	-	5,598

The Directors of NSH have not declared an interim or final dividend for the year ending 30 June 2015.

A distribution has been declared as noted below.

Unit distributions	NSPT Group 2015 $'000	NSPT Group 2014 $'000
Distributions declared		
National Storage Property Trust interim distribution of 4.0 cents per unit paid on 27 February 2015 (2014: distributions of 2.223 cents per unit, and 2 cents per unit prior to IPO)	11,825	3,938
National Storage Property Trust final distribution of 4.2 cents per unit payable on 27 August 2015 (2014: 3.8 cents per unit)	14,047	9,306
	25,872	13,244

There are no proposed distributions not recognised as a liability for the year ended 30 June 2015.

Franking credit balance

Ordinary share dividends	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Recognised amounts		
Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	1,376	1,376

The above amounts are calculated from the balance of the NSH franking account at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax after the end of the year.

The NSPT Group does not have franking credits as distributions are paid from National Storage Property Trust which is not liable to pay income tax provided all taxable income is distributed. There are therefore no franking credits to attach.

18. RELATED PARTY TRANSACTIONS

This related party's note is separated into two time periods for the previous corresponding period as the related parties changed upon stapling on 19 December 2013. As such this note is presented in two sections: stapled entity (current and prior period), and pre-stapling entity including related party transactions on stapling (prior period).

Stapled Entity – from 19 December 2013

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

Transactions with Related Parties – Consolidated Group		Revenue from related parties $	Purchases from related parties $	Amount owed by related parties $	Amount owed to related parties $
Southern Cross Storage Operations Pty Ltd	2015	1,790,020	-	529,508	-
	2014	1,147,271	-	1,028,712	-
Southern Cross Storage Trust	2015	-	165,000	-	-
	2014	-	-	44,465	40,000
The Trust Company (RE Services) Limited and its associates *	2015	-	448,938	-	220,576
	2014	-	130,306	-	-
Australian Storage Developments	2015	-	-	-	-
	2014	-	-	-	5,794

* not a related party pre-stapling in 2014

Transactions with Related Parties – NSPT Group		Revenue from related parties $	Purchases from related parties $	Amount owed by related parties $	Amount owed to related parties $
National Storage Holdings Limited	2015	-	-	-	8,964,575
	2014	-	-	8,230,421	-
Southern Cross Storage Trust	2015	-	165,000	-	-
	2014	-	-	-	40,000
National Storage (Operations Limited)	2015	28,563,075	-	15,1632,750	281,434
	2014	20,431,395	1,284,814	8,585,032	14,736,943
APN Funds Management Limited	2015	-	-	-	-
	2014	-	2,423,104	-	-
The Trust Company (RE Services) Limited and its associates	2015	-	448,938	-	220,576
	2014	-	143,441	-	-

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. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2015, the Consolidated Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: $Nil).

Key management personnel compensation

	Consolidated Group		NSPT Group	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Short-term employee benefits	1,703	805	-	-
Post-employment benefits	138	68	-	-
Long-term benefits	159	-	-	-
Termination benefits	95	-	-	-
	2,095	873	-	-

Detailed remuneration disclosures are provided in the remuneration report which is included in the Directors' Report.

Transactions with former Directors of National Storage Pty Ltd subsequent to stapling in the prior period

On 23 December 2013, an NSR subsidiary trust NSIT purchased a property at 961-963 Marion Rd, Mitchell Park, South Australia for $1,576,000 from Australian Storage Developments Pty Ltd (ASD) which is owned by a KMP and former Director of National Storage Pty Ltd

The shareholders who were former Directors and are not KMP of ASD comprise:

(a) Michael Berry - 25% for Green 9 Pty Ltd as trustee for the Michael Berry Family Trust – Michael Berry is the sole director, company secretary and shareholder of Green 9 Pty Ltd and a potential discretionary beneficiary of the Michael Berry Family Trust.

Responsible Entity

On 19 December 2013 the Trust Company (RE Services) Limited became the responsible entity of the National Storage Property Trust, and therefore became a related party.

During the year, the Responsible Entity and its associates accrued fees of $448,938 for responsible entity and custodian services (2014: 143,441).

Payments made from the NSPT to the Responsible Entity did not include any amounts attributable to the compensation of Directors in respect of services rendered to NSPT.

Pre-Stapling – up to 18 December 2013

National Storage Pty Ltd

Directors

The following persons were Directors during the pre- stapling period and as such are classified as key management personnel.

	Appointed	Resigned
Andrew Catsoulis	13 January 2000	
Peter Greer	13 January 2000	19 December 2013
Michael Berry	13 January 2000	19 December 2013
Geoff McMahon	13 January 2000	19 December 2013
Laurie Brindle	1 November 2013	
Anthony Keane	1 November 2013	

National Storage Property Trust

The Responsible Entity of the National Storage Property Trust was APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). APN Funds Management Limited also acted as the manager of the Trust.

The following transactions with entities related to the APN Property Group took place during the period:

- Investment management fees of $2,423,103 were paid to the Responsible Entity.
- Registry and accounting fees of $9,292 were paid to the Responsible Entity.

All transactions took place at arms-length and in the ordinary course of business.

Key management personnel

NSPT did not employ personnel in its own right. However it was required to have an incorporated Responsible Entity to manage the activities of the NSPT and personnel of this entity are considered the Key Management Personnel of NSPT.

The names of the key management personnel of the Responsible Entity up to 19 December 2013 were:

- Christopher Aylward
- Howard Brenchley (Director)
- Clive Appleton
- Geoff Brunsdon (Chairman and Independent Non Executive Director)
- Michael Johnstone (Independent Non Executive Director)

- John Freemantle (Chief Financial Officer)
- Jennifer Horrigan (Non Executive Director)

The positions noted above are the positions held within the Responsible Entity and not NSPT itself.

Key management personnel compensation
Key management personnel were paid by the parent of the Responsible Entity for their services to APN Property Group Limited. Payments made from the Trust to the Responsible Entity did not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Trust.

Holdings of units by related parties
Related parties were able to purchase and sell units in the Trust in accordance with their respective constitutions and product disclosure statements. No units were held in the Trust at 30 June 2014.

Transactions with former Directors of National Storage Pty Ltd at stapling and listing

The implementation of the stapling transaction and the ongoing management of National Storage REIT involved a number of related party transactions outlined in the Prospectus:

Purchase from National Storage Pty Ltd vendors:

The purchase prices for the respective acquisitions were as follows:
(a) $1,047,000 plus 25,510,204 shares in NSH for the NSPL sale;
(b) 25,510,204 Units in NSPT for the NSIT sale; and
(c) $4,750,000 for the NS APAC sale.

The former Directors in their Respective Proportions under the Sale and Purchase Agreement, received the following:

(a) Michael Berry - 4.00% for Green 9 Pty Ltd as trustee for the Michael Berry Family Trust – Michael Berry is the sole director, company secretary and shareholder of Green 9 Pty Ltd and a potential discretionary beneficiary of the Michael Berry Family Trust ; and
(b) Geoff McMahon 29.20% for Leyshon Equities Pty Ltd, – Geoff McMahon is a director and company secretary of Leyshon Equities Pty Ltd.

Purchase from Strategic Storage Consulting Pty Ltd vendors:
The purchase price for the company was $5,828,000.

In respect of the former Directors in their Respective Proportions under the Sale and Purchase Agreement, they received the following:

(a) 21% for Green 9 Pty Ltd as trustee for the Michael Berry Family Trust - Michael Berry is the sole director, company secretary and shareholder of Green 9 Pty Ltd and a potential discretionary beneficiary of the Michael Berry Family Trust; and

Premier Self Storage Pty Ltd received $2,800,000 for an Asset Sale – Geoffrey McMahon is a director and company secretary of Premier Self Storage Pty Ltd and was also a director of NSPL. Premier Self Storage Pty Ltd is a related body corporate of Leyshon Equities Pty Ltd who was a NS Vendor.

19. COMMITMENTS AND CONTINGENCIES

Capital commitments
There was no capital expenditure contracted for at the end of the reporting period but not recognised as liabilities.

Non-cancellable operating leases
The NSH Group leases offices expiring within five years. The lease has an escalation clause and a right of renewal. The NSPT Group does not have any operating lease commitments.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated Group	
	2015	2014
	$'000	$'000
Within one year	321	251
Later than one year but not later than five years	739	887
Later than five years	-	-
	1,060	1,138

There were no non-cancellable operating lease commitments in the NSPT Group.

Finance lease commitments
For details of finance lease commitments see note 9.7.

Contingent liabilities

Guarantees
For information about guarantees given by entities within the group, including the parent entity, please refer to notes 22 and 23.

20. EARNINGS PER STAPLED SECURITY (EPS)

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

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

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

	Consolidated Group		NSPT Group	
	2015	2014	2015	2014
	cents	cents	cents	cents
Basic and diluted earnings per stapled security / unit	16.56	11.00	17.01	21.04
Reconciliation of earnings used in calculating earnings per stapled security / unit				
Basic and diluted earnings per security	**$'000**	**$'000**	**$'000**	**$'000**
Net profit attributable to members	48,733	15,565	50,068	39,000
Weighted average number of securities:	**No. of securities**	**No. of securities**	**No. of units**	**No. of units**
Weighted average number of securities for basic and diluted earnings per stapled security	294,318,578	141,514,780	294,318,578	185,365,653

21. AUDITOR'S REMUNERATION

The auditor of the Consolidated Group and NSPT Group is Ernst & Young Australia.

Amounts received or due and receivable by Ernst & Young Australia for:	Consolidated Group 2015 $	2014 $	NSPT Group 2015 $	2014 $
An audit or review of the financial report of the entity and any other group entity	256,289	495,471	27,875	25,750
Other services in relation to the entity and any group other entity				
Tax compliance	73,314	188,141	30,040	-
Assurance related to the IPO of NSR	-	850,829	-	-
Other	74,994	80,175	45,894	-
Total auditors' remuneration	404,597	1,614,616	103,809	25,750

22. INFORMATION RELATING TO THE PARENT ENTITIES

Summary financial information

The individual financial statements for National Storage Holdings Limited and National Storage Property Trust, the parent entities, show the following aggregate amounts:

	NSH 2015 $'000	2014 $'000	NSPT 2015 $'000	2014 $'000
Current assets	65,671	56,305	37,472	27,181
Total assets	72,546	63,180	461,746	302,102
Current liabilities	47,534	48,827	15,769	10,274
Total liabilities	48,020	48,827	141,753	98,190
Issued capital	29,665	16,004	297,192	191,499
Cash flow hedge reserve	-	-	(1,272)	(393)
Retained earnings	(5,139)	(1,651)	24,073	12,806
	24,526	14,353	319,993	203,912
Profit /(Loss) after tax	(3,488)	(1,651)	23,860	23,984
Total comprehensive income	(3,488)	(1,651)	22,981	23,591

Guarantees entered into by the parent entities

The Consolidated Group and NSPT Group's parent entities have provided financial guarantees in respect of bank overdrafts and loans of subsidiaries amounting to $123,500,000 (2014: $87,916,000), secured by registered mortgages over the freehold and leasehold investment properties of the subsidiaries.

The Consolidated Groups parent entity has also provided bank guarantees of $2,137,000 (2014: $1,213,000) in the event of lease payment default to third party lessors.

In addition, there are cross guarantees given by National Storage Holdings Limited (NSH), National Storage Operations Pty Ltd and National Storage Pty Ltd as described in note 23. No deficiencies of assets exist in any of these companies.

Contingent liabilities of the parent entities

The parent entities of the Consolidated Group and the NSPT Group did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

Contractual commitments

The parent entities of the Consolidated Group and the NSPT Group were contractually committed to the purchase of five storage centres in Christchurch, New Zealand at the 30 June 2015, as disclosed in note 24. The Consolidated Group and the NSPT Group did not have any other contractual commitments as at 30 June 2015 or 30 June 2014.

23. DEED OF CROSS GUARANTEE

National Storage Holdings Limited (NSH), National Storage Operations Pty Ltd and National Storage Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Set out below is a consolidated statement of comprehensive income and statement of financial position of the entities that are members of the Closed Group.

Consolidated statement of comprehensive income

	2015 $'000	2014 $'000
Profit from continuing operations before income tax	(1,026)	(25,721)
Income tax expense	(260)	7,315
Profit after tax	(1,286)	(18,406)
Retained earnings at the beginning of the year	3,440	27,444
Dividends provided for or paid	-	(5,598)
Retained earnings at the end of the year	2,154	3,440

Consolidated statement of financial position

	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	1,265	7,416
Trade and other receivables	12,251	9,535
Inventories	300	258
Other current assets	2,603	1,296
Total current assets	16,419	18,505
Non-current assets		
Trade and other receivables	220	220
Property, plant and equipment	630	1,187
Investment properties	271,523	171,034
Investments	7,685	7,685
Other non-current assets	-	136
Intangibles	540	483
Total non-current assets	280,598	180,745
Total assets	297,017	199,250
Liabilities		
Current liabilities		
Trade and other payables	17,882	11,387
Finance Lease Liability	10,789	4,298
Deferred revenue	6,400	4,952
Provisions	1,172	1,069
Total current liabilities	36,243	21,706
Non-current liabilities		
Finance Lease Liability	226,014	155,532
Provisions	700	589
Deferred tax liability	487	225
Total non-current liabilities	227,201	156,346
Total Liabilities	263,444	178,052
Net Assets	33,573	21,198
Equity		
Contributed equity	31,419	17,758
Retained profits	2,154	3,440
Total equity	33,573	21,198

24. EVENTS AFTER REPORTING PERIOD

ACQUISITION OF STORAGE CENTRES

As announced on 26 June 2015 NSR has purchased a portfolio of five storage centres in Christchurch, New Zealand. The centres were purchased for NZ$23 million and the transaction settled on 6 August 2015.

On 10 August 2015 NSR announced that it had entered into arrangements to acquire a self-storage asset in Croydon, Victoria. The centre will be purchased for $4.7 million and be funded via NSR's existing debt facilities. The transaction remains conditional and should it proceed, settlement is expected in September 2015.

NEW ZEALAND DENOMINATED DEBT FACILITY

Subsequent to the Reporting Date a New Zealand denominated (NZ$) debt facility for NZ$25 million has been entered into, to facilitate the recently announced Christchurch acquisitions. The facility is on terms consistent with the existing debt facilities and has been incorporated into the existing facility documentation. As at the date of this report, the New Zealand facility was drawn to NZ$23.5 million.

INVESTMENT IN PRIME DEVELOPMENT FUND

On 6 August 2015 NSR announced that it had entered into a heads of agreement with Universal Self Storage to establish the Australian Prime Storage Fund which aims to facilitate the development and ownership of multiple premium grade self- storage centres in select capital cities around Australia. NSR will be cornerstone investor in the unlisted Fund with an equity interest of up to 25% (approximately $6.5 million) via a staged contribution. NSR will undertake, and receive fees for, a range of activities on behalf of the Fund, including assisting with site identification, selection and acquisition, feasibility and providing input into design and development. The assets will be integrated onto the National Storage operating platform and managed as part of the National Storage portfolio.

PERTH DEVELOPMENT PORTFOLIO

On 11 August 2015 NSR announced it had entered into an exclusive arrangement with Parsons Group to establish the Perth Development Portfolio. The arrangement is a construction and management agreement with one of Perth's leading self-storage construction companies, Parsons Group with five sites in and around Perth having been identified. It is anticipated NSR will acquire up to three assets on completion of construction, with the remaining centres to be operated as National Storage centres by Parsons Group. The first centre at Jandakot, south of Perth, is scheduled to open in September 2015 and will be owned by Parsons Group and managed by National Storage under its third-party management platform.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

    (a) the financial statements and notes of the Consolidated Group for the year ended 30 June 2015 are in accordance with the *Corporations Act 2001*, including:

        i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

        ii. complying with Accounting Standards and the *Corporations Regulations 2001*;

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

    (c) with reference to note 2(a) in the financial statements, there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

    (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

On behalf of the Board,

Laurence Brindle
Chairman

Andrew Catsoulis
Managing Director

26 August 2015
Brisbane

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity states that:

1. In the opinion of the Responsible Entity:

    (a) the financial statements and notes of the NSPT Group for the year ended 30 June 2015 are in accordance with the *Corporations Act 2001*, including:

        (i) giving a true and fair view of the NSPT Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

        (ii) complying with Accounting Standards and the Corporations Regulations 2001;

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

    (c) with reference to note 2(a) in the financial statements, there are reasonable grounds to believe that NSPT 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 The Trust Company (RE 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 2015.

On behalf of the Responsible Entity,

Andrew Cannane
Director

26 August 2015
Sydney

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent auditor's report to the members of National Storage REIT

Report on the financial report

We have audited the accompanying financial report of National Storage REIT comprising National Storage Holdings Limited and National Storage Property Trust and the entities they controlled during the year, which comprises the consolidated statements of financial position as at 30 June 2015, consolidated statements of profit or loss, the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declarations of National Storage Holdings Limited and National Storage Property Trust and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of National Storage Holdings Limited and the Directors of the Responsible Entity of National Storage Property Trust 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the companies a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of National Storage REIT is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of National Storage Holdings Limited and National Storage Property Trust and consolidated entities' financial positions as at 30 June 2015 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the tabled companies are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of National Storage REIT for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
26 August 2015

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 July 2015:

(a) Distribution of equity securities

Analysis of numbers of ordinary fully paid stapled security holders by size of holding:

Holding			Securities
1	-	1,000	179
1,001	-	5,000	397
5,001	-	10,000	414
10,001	-	100,000	990
100,001	-	And over	111
Total			2,091

There were 66 holders of less than a marketable parcel of stapled securities, representing 538 units.

(b) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Stapled Securities Number held	Percentage of issued securities
HSBC Custody Nominees (Australia) Limited	118,397,613	35.40
National Nominees Limited	51,570,228	15.42
J P Morgan Nominees Australia Limited	39,876,727	11.92
Citicorp Nominees Pty Limited	13,325,733	3.98
Clarence Property Corporation Ltd (Westlawn Property A/C)	7,738,711	2.31
Leyshon Investments (Australia) Pty Ltd (Leyshon Operations Unit A/C)	7,448,980	2.23
Storcat Pty Ltd (Andrew Catsoulis Family A/C)	6,173,469	1.85
BNP Paribas Noms Pty Ltd (DRP)	5,735,842	1.71
Palomere Pty Ltd (Peter Edward Greer Family A/C)	5,586,735	1.67
RBC Investor Services Australia Nominees Pty Limited	3,510,967	1.05
Stowaway Self Storage Pty Ltd (Catsoulis Development A/C)	3,469,388	1.04
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	3,384,736	1.01
Capital Business Park (Holdings) Pty Ltd	3,200,000	0.96
Stowaway Self Storage Pty Ltd (Catsoulis Family A/C)	1,811,224	0.54
Antares Pty Ltd	1,600,000	0.48
HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,465,459	0.44
UBS Wealth Management Australia Nominees Pty Ltd	1,134,200	0.34
BNP Paribas Noms (NZ) Ltd	1,069,560	0.32
Brindle Super Pty Ltd (The Brindle Super Fund A/C)	1,032,400	0.31
Green 9 Pty Ltd (Michael Berry Family A/C)	1,020,408	0.31
	278,552,380	83.29

Unquoted equity securities

There are no unquoted securities.

(c) Substantial shareholders

Substantial securityholders are set out below:

Name	Number held	Percentage
Commonwealth Bank	55,183,219	16.49
Bennelong Funds Management Group	23,138,345	6.92
Cohen & Steers Inc	22,713,519	6.79
Diam Co Ltd	21,075,375	6.30
The Vanguard Group Inc	20,598,895	6.16

(d) Voting rights

The voting rights attached to the ordinary fully paid stapled securities is one vote per stapled security.

(e) Escrowed securities

The number of ordinary stapled securities that are on issue that are subject to voluntary escrow is as follows:

Holder		Number of Stapled Securities
Leyshon Investments (Australia) Pty Ltd	Leyshon Operations Unit Trust	7,448,980
Storcat Pty Ltd	Andrew Catsoulis Family A/C	6,173,469
Palomere Pty Ltd	Peter Edward Greer Family Ac	5,586,735
Stowaway Self Storage Pty Ltd	Catsoulis Development A/C	3,469,388
Stowaway Self Storage Pty Ltd	Catsoulis Family A/C	1,811,224
Green 9 Pty Ltd	Michael Berry Family A/C	1,020,408

Details of the escrow period for the escrow of Storcat Pty Ltd and Palomere Pty Ltd are set out on page 56 (Storcat Pty Ltd equates to the Managing Director and Palomere Pty Ltd to the Chief Operating Officer). The escrow provisions for the remaining escrowed stapled security holders are the same as for Storcat Pty Ltd and Palomere Pty Ltd other than the period is three years not five years.

INVESTOR RELATIONS

National Storage REIT is listed on the Australian Securities Exchange under the code NSR.

NATIONAL STORAGE REIT SECURITIES

A stapled security comprises:

- one share in National Storage Holdings Limited; and
- one unit in the National Storage Property Trust; stapled and traded together as one stapled security.

CONTACT DETAILS

All changes of name, address, TFN, payment instructions and document requests should be directed to the registry.

SECURITIES REGISTRY

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001 Australia

Telephone: 1300 850 505 (Australia only)
International: +61 3 9946 4471
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com.au

ELECTRONIC INFORMATION

By becoming an electronic investor and registering your email address, you can receive via email notifications and announcements, distribution statements, taxation statements and annual reports.

SECURE ACCESS TO YOUR SECURITYHOLDING

You will need to have your securityholder reference number or holder identification number (SRN/HIN) available to access your holding details.

Online

You can access your securityholding information via the Investor Centre section of the corporate website, *www.nationalstorageinvest.com.au*, or via the Investor Centre link on the registry's website at *www.computershare.com.au*.

To view your securityholding, you will need your SRN/HIN and will be asked to verify your registered postcode (inside Australia) or your country of residence (outside Australia).

Phone

You can confirm your holding balance, request forms and access distribution and trading information by phoning: 1300 850 505 (Australia only) or calling +61 3 9946 4471 (outside Australia).

DISTRIBUTION DETAILS

NSR intends to distribute 90% to 100% of underlying net profits after tax each year. Distributions are expected to be paid within 8 weeks following the end of each semi-annual distribution period, which occur in June and December each year.

To ensure timely receipt of your distributions, please consider the following:

Direct Credit

NSR encourages securityholders to receive distribution payments by direct credit.

If you wish to register for direct credit or update your payment details, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

Tax File Number (TFN)

You are not required by law to provide your TFN, Australian Business Number (ABN) or exemption status. However, if you do not provide your TFN, ABN or exemption, withholding tax at the highest marginal rate for Australian resident members may be deducted from distributions paid to you.

If you wish to update your TFN, ABN or exemption status, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

UNPRESENTED CHEQUES

If you believe you have unpresented cheques, please contact the registry and request a search to assist in recovering your funds.

If you wish to register for direct credit or update your payment details, log in to your holding online or telephone the registry on 1300 850 505 for assistance.

ANNUAL TAXATION STATEMENT AND TAX GUIDE

The Annual Taxation Statement and Tax Guide are dispatched to securityholders in August each year. A copy of the Tax Guide is available at www.nationalstorageinvest.com.au.

INVESTOR FEEDBACK

If you have any fund specific queries or feedback please telephone NSR Investor Relations on 1800 683 290. Please direct any complaints in writing to NSR Company Secretary at GPO Box 3239, Brisbane QLD 4001, Australia.

NSR CALENDAR

FEBRUARY
Half Year Results released
Distribution paid for six months ended 31 December
AUGUST
Full Year Results released
Distribution paid for the six months ended 30 June
Annual tax statements released
SEPTEMBER
Annual Report released
Notice of Annual General Meeting released
OCTOBER / NOVEMBER
Annual General Meeting

The dates listed above are indicative only and subject to change.

CORPORATE DIRECTORY

National Storage Holdings Limited ACN 166 572 845 ("NSH" or the "Company")

National Storage Property Trust ARSN 101 227 712 ("NSPT")

form the stapled entity National Storage REIT ("NSR" or the "Consolidated Group")

Responsible Entity of NSPT

The Trust Company (RE Services) Limited
ACN 003 278 831 AFSL 235 150
Level 15, 20 Bond Street
Sydney NSW 2000

Directors – NSH

Laurence Brindle
Anthony Keane
Andrew Catsoulis
Howard Brenchley (appointed 21 November 2014)
Steven Leigh (appointed 21 November 2014)

Directors – The Responsible Entity

Andrew Cannane
Christopher Green
Gillian Larkins (resigned 31 July 2015)
Michael Vainauskas (appointed 2 March 2015)

Alternate Directors:

Anna O'Sullivan (for Andrew Cannane and Christopher Green)
Glenn Foster (for Gillian Larkins) (resigned 31 July 2015)
Joanne Hawkins (for Gillian Larkins) (resigned 26 June 2015)

Company Secretary – NSH

Patrick Rogers

Company Secretary – The Responsible Entity

Glenda Charles, Thornton Christensen (resigned 1 May 2015), Sylive Dimarco and Joanne Hawkins

Registered Office

Level 1, 10 Felix Street
Brisbane QLD 4000

Principal Place of Business

Level 1, 10 Felix Street
Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Stapled Securities are quoted on the Australian Securities Exchange (NSR).

Auditors

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

NATIONAL STORAGE HISTORY

National Storage was established in December 2000, following the merger of Stowaway Self Storage, National Mini Storage and Premier Self Storage. The union consolidated over 30 years of industry experience, creating a network of centres with the capacity to deliver tailored storage solutions for residential and commercial needs across Australia.

Since then, National Storage has enjoyed partnerships with a number of private and institutional investors, amalgamating over forty individual storage brands to grow the business to over 80 centres at August 2015.

2000 A merger between Stowaway Self Storage, National Mini Storage and Premier Self Storage sees the establishment of National Storage as it is known today.

2003 The APN National Storage Property Trust was formed in conjunction with APN Funds Management. The partnership raised $137.5 million to fund the acquisition of 20 self-storage properties and grew to peak investment of $350 million.

2004 – 2007 Six tranches of acquisition activity sees National Storage enter the New South Wales, Victorian and Western Australian markets.

2007 National Storage acquires Wine Ark, Australia's premier wine storage provider with two specialised facilities in Alexandria and Chatswood, NSW.

2008 Investec works with National Storage to form the Investec National Storage Trust which acquired 11 self-storage properties, six from the APN NSPT portfolio and five from a third party vendor.

2011 National Storage partners with global real estate investment manager Heitman to establish the Southern Cross Storage Group which acquired 22 self-storage properties from APN NSPT and third party vendors.

2012 A further two acquisitions were made by the Southern Cross Storage Group.

2013 The first Australian initial public offering of a self-storage real estate investment trust is undertaken in December 2013, with NSR established and listed on the Australian Securities Exchange.

2014 NSR successfully raises $121 million, completes 11 acquisitions and launches its third party management platform.

2015 NSR to invest in the Australian Prime Storage Fund, launches the Perth Development Portfolio, undertakes six acquisitions in Australia and enters the New Zealand market with a portfolio acquisition of five centres, with additional capacity for further acquisitions into FY15/16.

NATIONAL STORAGE